

Nation's Business[®]

**The New Disability
Law's Broad Sweep**

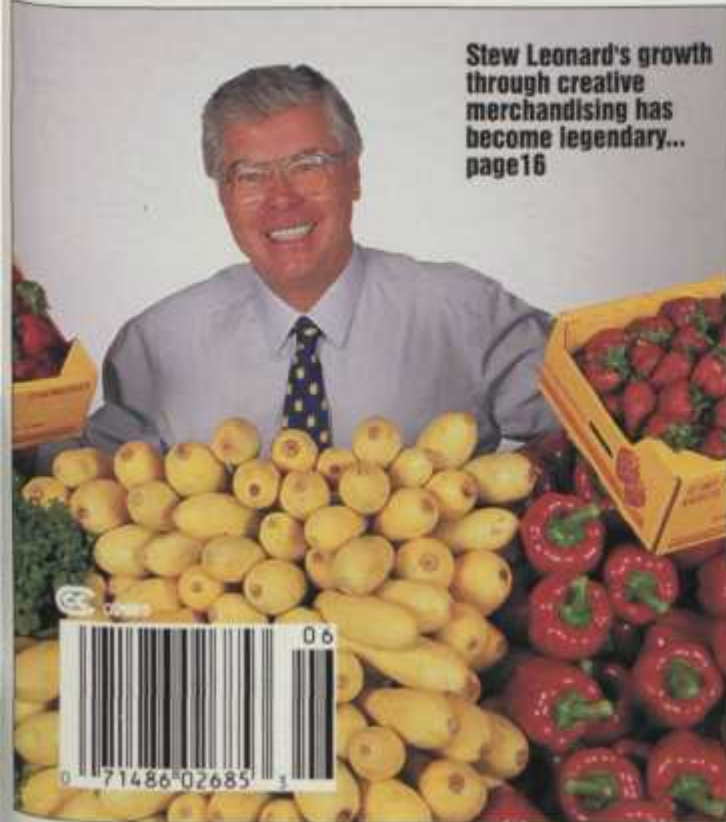
**Controlling Your
Insurance Costs**

**The Pros And Cons
Of Employee Leasing**

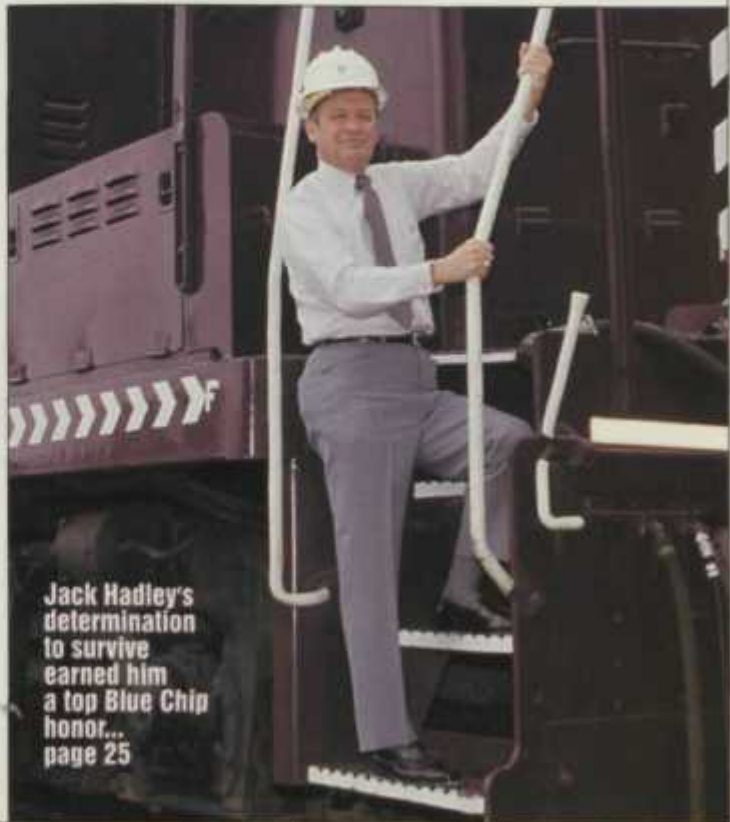
The Quest For QUALITY

*Building customer
loyalty with quality
service is critical
to growth and
often can be the
key to survival.*

Stew Leonard's growth
through creative
merchandising has
become legendary...
page 16



Jack Hadley's
determination
to survive
earned him
a top Blue Chip
honor...
page 25



If You Call Our Competition With A Fleet Problem,
This Is The Help You're Likely To See Walk Through Your Door.

Even in this age of 1-800 numbers, computers and fax machines, we still believe there's no substitute for the helping hand of a human being.

If you agree, call Chevrolet Fleet Sales. We can put more trained field people across the desk from you than anybody else in the fleet business. To discuss with you more different kinds of cars, light-duty trucks and vans than anybody else in the business.

We also have an impressive 800-number network with an extensive support staff, for help of any kind. And to keep your phone from constantly ringing, we have a service organization devoted exclusively to fleets. Complete with toll-free 1-800 numbers your people can call for assistance.

Call 1-800-248-2897. You'll not only like what you hear, you'll like who you'll see as well.

Our APV cargo van: one of several exclusive fleet advantages available by calling 1-800-248-2897.



THE
Heartbeat
OF AMERICA IS WINNING™
TODAY'S FLEET COMPANY IS CHEVROLET

Chevrolet, the Chevrolet emblem and Lumina are registered trademarks of the GM Corp. © 1990 GM Corp. All Rights Reserved. Let's get it together...buckle up.





PHOTO: © GREG HOFFMAN



PHOTO: © BRIAN MARCK

Selection and service have been keys to growth for the upstate New York grocery chain run by Danny Wegman, in the photo at left. At right are Craig Hall and Keith Klingenberg, who re-created their Michigan warehousing firm after a flood and a fire; it is now a National Blue Chip Enterprise. Cover Story, Page 16.

COVER STORY: THE QUEST FOR QUALITY

16 A New Sense Of Service

Today's managers are learning the first law of quality performance: Customers define it, and employees provide it. Companies exemplifying it include a famous food store in Norwalk, Conn.; a supermarket chain in Rochester, N.Y.; a Houston-based distributor; and a flashlight maker in Ontario, Calif.

- 20—A Pacesetter Hides His Light Under A Bushel
- 21—To Learn More About Quality Awareness

25 Overcoming Adversity

Can small businesses overcome almost any obstacle to success? The answer is a resounding "Yes!" from these first four National Blue Chip Enterprises. Here are reports on how these companies achieved that honor.

- 26—Kiamichi Railroad, Hugo, Okla.
- 27—Wallace Co., Houston
- 28—The TLC Group, Zeeland, Mich.
- 28—Fox Manufacturing, Albuquerque, N.M.

REGULATION

31 The Disability Law's Broad Sweep

A new law covering disabled customers and workers could profoundly alter your firm's ways of doing business.

PERSONNEL

36 Employees For Rent

Less paperwork and more worker benefits are among the pluses that can be found in leasing employees.

POLL RESULTS

39 Heavy Votes Against Forced Health Care

Two recent surveys spotlight the continuing and overwhelming business opposition to legislation that would force employers to provide—or pay additional taxes to finance—health insurance for their workers.

SMALL-BUSINESS COMPUTING

42 Cheat Sheets, Viruses, And Hearing Voices

Cards for learning simple tasks; help with Windows; combating computer viruses; and teaching machines to talk.

LESSONS OF LEADERSHIP

45 The Foremost Goal: Competitiveness

As 1991-92 chairman of the U.S. Chamber of Commerce, C.J. Silas will espouse an action plan for enhancing America's position as the world's most competitive nation.

SPECIAL REPORT

48 Four Avenues To Franchising

Offering wheel alignments, home cooking, fast framing, and specialty T-shirts, four different companies have expanded their operations through franchising.

SPECIAL REPORT

55 Ways To Control Insurance Costs

Insurance for small companies is available and affordable, but you should take these steps now to prepare for the next rise in rates.

FAMILY BUSINESS

65 A Tougher Challenge For Family Firms

The coming age of work-force diversity; the most important skill for success; the message of the diamonds.

WHERE I STAND

76 On Replacing Strikers

Your response to this poll will be provided to key members of Congress for consideration in the debate over a bill to ban the replacement of strikers.

Published by the
U.S. Chamber of Commerce
Washington, D.C.

Editor's Note

Service And Survival

Our cover story this month on "The Quest For Quality" is a two-part package on companies that have demonstrated an exceptional ability to succeed and to inspire others.

The first part, "A New Sense Of Service," which begins on Page 16, describes how the ability to recognize and respond to customer expectations put four firms on the path to growth.

The second part of the package, "Overcoming Adversity," deals with another critical aspect of business success, the capacity to fight back against threats to the very survival of the company. The companies in this report, which begins on Page 25, were identified through the Blue Chip Enterprise Initiative, launched last year to spotlight small businesses whose triumphs over adversity make them role models.

The Blue Chip program is sponsored by the Connecticut Mutual Life Insurance Co. and is endorsed by *Nation's Business* and its publisher, the U.S. Chamber of Commerce.

Senior Editor Michael Barrier, who wrote both parts of the cover package, notes there were many common themes, but one stood out: "If there's one encouraging lesson I drew from reporting these two stories, it's this: Those companies, like TLC and Stew Leonard's, that use technology most creatively are also the ones most likely to deal creatively with their employees. That's exactly what you would expect at any company that has truly embraced quality as a goal."

The second Blue Chip Enterprise Initiative is now getting under way. It's open to small businesses that have five to 300 employees, have been in operation for three consecutive years, and have been particularly successful in marshaling resources to overcome problems that threatened them. The best way to decide whether you should enter is to call **1-800-AWARD-92** for a kit that contains all the information you need—including an entry form.



PHOTO: EDWIN K. REMBERG-GAMMA/LIAISON

Encouraged by husband Ken, Kavelle Bajaj started a firm—and later hired him. *Making It*, Page 10.

DEPARTMENTS

- 4 Letters
- 6 Managing Your Small Business
- 8 Entrepreneur's Notebook
- 9 Dateline: Washington
- 10 Making It
- 68 Direct Line
- 70 To Your Health
- 71 It's Your Money
- 73 For Your Tax File
- 74 Classified Ads
- 78 Congressional Alert
- 79 Editorial
- 80 Free-Spirited Enterprise

Cover Design: Hans A. Baum
Cover Photos: T. Michael Keza



PHOTO: CHEN TONGHON

Denis Mullane, right, president and CEO of Connecticut Mutual, presents a Blue Chip Enterprise Initiative trophy to Dale Fox.

Nation's Business (ISSN 0028-0476) is published monthly at 1615 H Street, N.W., Washington, D.C. 20002. Tel. (202) 463-5650 (editorial). Advertising sales headquarters: 711 Third Ave., New York, N.Y. 10017. Tel. (212) 375-1440. Copyright © 1991 by the United States Chamber of Commerce. All rights reserved. Subscription prices (United States and possessions): one year, \$22; two years, \$35; three years, \$45. For Canadian and other foreign subscriptions, add \$20 per year. Printed in U.S.A. Second class postage paid at Washington, D.C., and additional mailing offices. POSTMASTER: Send address changes to Nation's Business, 4940 Nicholson Court, Kensington, MD 20895. To inquire about your subscription, or to make a change of address, please call 1-800-638-6562, or in Maryland, 1-800-352-1450. Photocopy Permission: Where necessary, permission is granted by the copyright owner for those registered with the Copyright Clearance Center (CCC), 27 Congress St., Salem, Mass. 01970, to photocopy any article herein for a flat fee of \$1.00 per copy of each article. Send payment to the CCC. Copying without express permission of Nation's Business is prohibited. Address requests for bulk orders to Nation's Business Reports, 1615 H Street, N.W., Washington, D.C. 20002, or call (202) 463-5677. ISSN 0028-0476/92 \$0.

Robert T. Gray

Robert T. Gray
Editor

Letters

Other Choices In Operating Systems

Your cover story on computer-system upgrades ["Upgrade For Growth," April] made many good suggestions, but you may have inadvertently left out one of the most beneficial operating-system upgrades, the Pick Operating System, which comes from Pick Systems, Inc., in Irvine, Calif.

Pick is a relational database system, complete with its own English-like programming language and its own English-like query language.

Because Pick is available for so many sizes of systems, with virtually total portability from one platform to another, it presents to those who utilize it as their business data-processing system the easiest of upgrade paths from one computer to another.

We at Kittery Trading Post have used Pick for both wholesale and retail business operations, as well as point of sales—data from POS is gathered in PC-DOS and transferred to our Pick-based host system.

UPGRADE FOR GROWTH

**A 10-Point Checklist
For Making Your
Computer System
Work Harder And
Smarter**



Pick runs on all ages of computers, and the library of application programs in virtually every conceivable vertical market offers tribute to Pick's ease of development.

*James Cronin
Director of Management Information
Systems
Kittery Trading Post
Kittery, Maine*

Better Ways Of Learning

In your otherwise good article, I was disappointed at the way you addressed the need for continuing education. Your comments dealt only with sources of information regarding what computer equipment to buy.

Significant training may be required after you have decided what to buy. Some computer sales personnel, being very adept at software demonstrations, will give new computer users an impression of elegant simplicity and ease of learning when nothing could be further from the truth.

I think some mention of training as an integral part of the purchase process would have been helpful.

*Michael Brinda
President
New Horizons Computer
Learning Center
Santa Ana, Calif.*

Some Kinds Of Tracking May Leave Wrong Prints

The technique proposed to "Track Costs To See Where Profits Lie" [Managing Your Small Business, April] allocates overhead across product lines. This approach obscures an important part of profitability analysis.

Management can more readily understand the impact of its decisions on financial statements if the statement shows, by product line, the margin after direct costs, which depicts changes in pricing or performance from plan and shows the specific expenses associated only with the making and selling of the product line to which it is charged.

If overall results are not satisfactory, it defines for management the questions: Are we bringing in too little (margins), or are we spending too much in general overhead?

*Louis H. Howe, President
Howe & Associates
Business Management and Financial
Counselors
Annapolis, Md.*

Insurance For Car Rentals: Know What You Have

"Evaluating Credit-Card Car-Rental Insurance" [It's Your Money, March] left the most important information for last. The majority of personal automobile insurance policies in the United States give drivers the same protection when traveling in a rental car as they have for their own vehicles. And most corporate

Not just
another pinstripe
suit.

Performance, not promises, from the largest recruiting firm in the world. Our contingency fee structure assures your satisfaction. Look in the white pages for the office nearest you.

MR MANAGEMENT RECRUITERS
The search and recruiting specialists... over 400 offices in the U.S. and Canada

insurance policies provide at least liability coverage for employees who are traveling in a rental car on company business.

Before looking into what coverages are available from credit-card companies or car-rental agencies, travelers should first understand the insurance they already have.

Marc H. Rosenberg
Vice President, Federal Affairs
Insurance Information Institute
Washington, D.C.

They'd Rather Work Than Be Busted

Most of man's inner happiness lies in his desire to be useful and productive dur-



PHOTO: © LISA GUINNESS—BLACK STAR

ing his lifetime.

I venture that most Americans would prefer to place themselves and their future in the hands of Gordon Thomsen of Trail King Industries [Making It, March] than in the hands of the Boss Buster (see photo) of your editorial ["When You Strangle The Employer, You Also Kill The Jobs"], who, one is led to believe, represents organized labor.

Shirley Wilkins
Montgomery Elevator Co.
Moline, Ill.

Right On On Benefits

Thank you, thank you, thank you! The cover story on pensions ["The Threat To Pension Plans," March] was a fair and accurate accounting of the recent problems faced by employers in providing retirement benefits for their employees.

The new Internal Revenue Service regulations force the accrual of [employees'] benefits to occur over the same time frame as [benefits for] the owner of

the business. Therefore, if a business owner earns benefits over 10 years, so must his employees. The cost of providing these benefits over such a short period of time is prohibitively expensive, except for plans with only one or two participants.

Under the recent small-plan actuarial audit program, the IRS is forcing employers to fund benefits to age 65, regardless of the normal retirement age of the plan. Here lies the biggest dilemma: The IRS is forcing these benefits to be earned earlier—say, age 35—but is prohibiting the employer from funding them. What is an actuary to do?

The rules as proposed must be reviewed by Congress.

Michael E. Callahan, President
PenTec, Inc.

Actuaries, Consultants, and Pension
Plan Administrators
Southington, Conn.

American Ingenuity And The Environment

I have followed your coverage of environmental issues, especially "From The Ground Up" [January] and "Small Firms Pay For Clean Air" [March]. I am an entrepreneur devoted to finding environmentally safe wood-finishing products. So far, safer products typically cost twice as much as hazardous counterparts and often fall short of expected results.

We need to remember that these less-than-perfect alternatives are merely embryonic forms of better things to come. American ingenuity will save the day. We have a patent pending on a wood stain that not only eliminates personal and environmental safety hazards but also improves existing hazardous stains, without costing more.

I have every faith that mine is but one of many small businesses that will prove that there is such a thing as "gain without pain."

M. Jane McKittrick, President
Clearwater Color Co.
Perkasie, Pa.

Professional Distinction

I wish to clarify my position at Benton's Realty Inc., as it appeared in April's Managing Your Small Business. I am a relocation coordinator, not a broker.

Shirley Hoag
Seattle

Send letters to Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20002, and include your phone number. Letters addressed to the Editor will be considered for publication unless the writer requests otherwise, and they may be edited and condensed.

Nation's Business

The United States Chamber of Commerce, publisher of Nation's Business, is a federation of businesses, trade associations, local and state chambers, and American chambers of commerce abroad.

CHAIRMAN OF THE BOARD

C.J. Silas

PRESIDENT

Dr. Richard L. Leshor

GROUP VICE PRESIDENT/COMMUNICATIONS

Dr. Carl Grant

VICE PRESIDENT/PUBLISHING

David A. Roe

EDITOR

Robert T. Gray

DEPUTY EDITOR

Ripley Hotch

ASSISTANT TO THE EDITOR

Mary McElveen

SPECIAL CORRESPONDENT

Sharon Nelson

SENIOR EDITORS

John C. Szabo, Roger Thompson, Albert G. Holzinger,

Terrance F. Shea, Michael Barrios

ASSOCIATE EDITORS

Janet L. Wilen, Meg Whittemore

SENIOR WRITER

David Warner

STAFF WRITER

Bradford McKee

CONTRIBUTING EDITORS

Henry Altman, Julie Camlin, Jeffery D. Marston,

John L. Ward, Craig E. Arnold, Jon Pepper,

Charles A. Jaffe, Peter Warner, Albert H. Ellentank

ART DIRECTOR

Hans A. Baum

SENIOR DESIGNERS

Angela Reed Brees, Kathy Renter

SENIOR ARTIST

Kathy Votter

PHOTO DEPARTMENT

Laurence L. Levin, photo editor

Frances Borchardt, assistant photo editor

T. Michael Kona, chief photographer

ART PRODUCTION ASSISTANT

Theodore D. Taylor

PRODUCTION DIRECTOR

Shells Yoder

PRODUCTION MANAGER

Jeffrey W. Bartlett

PRODUCTION COORDINATOR

Stephanie Obermayer

PRODUCTION ADMINISTRATOR

Sarah Armstrong

U.S. ADVERTISING

Robert H. Gotshall, marketing director

(312) 354-1180

Pete McCutchen, Eastern advertising director

(312) 370-1440

Kathleen Brown, administrator

ADVERTISING MANAGERS

Atlanta (404) 293-0160

James M. Yandle

Chicago (312) 346-3226

Terry Kay Nance

Dallas (214) 387-9494

Richard Chalkley

Southfield, Mich. (313) 354-1180

Richard Topous, Michael McNew

Los Angeles (213) 651-1498

Tom Bowman

New York (212) 370-1440

Jerry V. Campione

Joseph Adduci, Neil Hudson

San Francisco (415) 423-7436

Richard A. Sands

CLASSIFIED ADVERTISING

(312) 453-5640

Jonathan Shonert, manager

Marla Zicher, sales representative

INTERNATIONAL MARKETING

(202) 462-5716

El Motaz Souboi, director

CIRCULATION

Elizabeth A. Allen, director

Lucy Oliver, manager

Linda Glasser, marketing services manager

PROMOTION AND RESEARCH

Janine Grossman, director

Nancy Swanson, research manager

Gabrielle Farabee, promotion coordinator

BUSINESS MANAGER

Leonard I. Ruppe

Managing Your Small Business

Company images, careful credit, expertise on call, and the best policy for promises.

By Bradford McKee

CUSTOMER RELATIONS

Introduce Your Staff To Clients—With Photos

Postcards or mailers with photos of your firm's employees let long-distance cli-



PHOTO: AMANDA BALDREGE

Photos for firmer bonds with clients.

ents have a look at who's serving them.

At Port City Press, a Baltimore book publisher, each customer-service representative includes a greeting and photo in correspondence with customers. Dennis DiGalbo, customer-service manager, says the photos help bond clients and their company contacts.

At Howmedica, a Rutherford, N.J., maker of prostheses, distribution chief Charles Svatos says each of the firm's eight divisions has its own group-shot picture cards, which are sent with invoices and packages to build customers' "comfort level" with employees.

Warren Blanding, head of the Customer Service Institute, in Silver Spring, Md., says the photo-mailers raise morale by building prestige for customer-service operations.

CREDIT

Cash Up Front, Credit To Follow

The recent sag in the economy has caused small firms to be more guarded in extending credit.

Holiday Specialties, a Woodburn, Ore., Christmas-tree firm, wants "cash up front" from new clients, says partner Scott Enyart. He checks the credit of established clients, and he caps credit at half of a sale. Only Enyart's longest-term customers may sign for an entire sale, he says.

Barbara Peczkowski, credit manager

HUMAN RESOURCES

Part-Time Professionals Offer Flexibility

Recruiting part-time executives solves the problem of overstaffing in growing firms that are not certain how durable their growth will be.

Portal Publications Ltd., a poster-publishing firm in Corte Madera, Calif., hired a part-time marketing manager to run a new profit center, says Janice McGowan, marketing vice president. She says the part-time executive offers "exactly what we need and no more." When the spot warrants full-time work, McGowan says, the firm will offer the executive a fuller schedule, or it may try job sharing.

Part-time professionals help growing companies who need "a slice of a function," says Marion McGovern, co-principal of Management Maximizers, a San Francisco firm that matches companies with part-time professionals. McGovern cites one small company that hired a human-resources manager to work one day a week.

A new study by The Pickwick Group

Inc., in Wellesley Hills, Mass., shows that employers structure jobs for part-time professionals in a variety of areas (see chart). Most of this type of schedul-

Where Are The Part-Time Pros?

Accounting/Finance	21%
Human Resources	16%
Technical/Engineering	16%
Communications	11%
Marketing	10%
Sales	10%
Other	19%

(Total exceeds 100 percent because some executives work in more than one category.)

Source: The Pickwick Group Inc. survey of 50 firms.

ing, however, is at the behest of employees whom the employers want to retain, Pickwick has found.

Nonetheless, "that's going to start to change," says Pickwick co-founder Kim Sommer, as employers discover the benefits—such as cost savings and flexibility—that can come from hiring part-time expertise.

PURCHASING

Honesty Is The Best Policy For Suppliers

Purchaser Marty Buddeke of Winco Window Co., in University City, Mo., likes to hear the truth from her firm's suppliers—even if the truth hurts.

When a supplier promises shipment of Winco's custom-made windows in four to six weeks while knowing that delivery actually will take eight weeks or longer, "that creates a bind on us," she

says, because a late shipment can disrupt Winco's production line.

Buddeke says she'd rather know an order will be late than count on a delivery that a supplier knows cannot be made at the promised time. She prefers honesty—"a real basic thing."

When testing the dependability of a new supplier, she adds, she keeps her first order small so that if it's late, it won't cause insurmountable production problems.

NB TIP

✓ Detailed guidance on staff policies and employment practices are contained in *A Concise Guide to Successful Employment Practices* by J.D. Thorne (Commerce Clearing House).

The book contains checklists for complying with labor laws; guidelines on how to hire, fire, compensate, and assist employees; recommendations on how long to keep certain records; advice on handling AIDS-related concerns; and tips on protecting workplace privacy.

To order by phone, call 1-800-248-3248. The paperback book is \$30, plus tax, shipping, and handling.

at Acme Scale Co., in Villa Park, Ill., says her firm's collection woes arise more from service calls than from sales. She now requires cash on delivery for initial service calls to new customers, she says. "If people really want the service, they'll pay."

At Kruse Hardware Co. Inc., in Fairfield, Ohio, B.G. Williams, credit manager, reviews problem accounts individually before getting tough. His firm serves many small stores, where personal and business problems may intertwine, he says. Once a debt is satisfied, he wants the debtor back as a customer.

when you
think copiers
think Mita.



the image specialist.

For more information write:
Mita Copystar America, Inc.,
P.O. Box 3900, Peoria, Illinois
61614, or call 1-800-ABC-MITA.
© 1991 Mita Copystar, Inc.

ENTREPRENEUR'S NOTEBOOK

Necessity Mothers

A Child-Care Invention

By Cathy Leibow

Four years ago I set out to solve a parenting problem—finding day care for my young son—and wound up starting a business to help other parents with the same kind of search.

For several years I had wanted to have some type of business of my own, and in the early 1980s, in order to learn more about business ownership, I obtained an M.B.A. from the University of Santa Clara. My entrepreneurial plans did not gel, however, until my first child was born, in 1987.

At the time, I was on leave from a large computer company, where I worked in programming and management. When my son was 4 months old, I began looking for a day-care provider so I could return to work part time. The only primary resource for parents in my area of northern California was a Santa Clara County referral agency. It supplies the names and addresses of five licensed day-care providers per request. By the time my search was over, I had received about 75 names and had spent more than 50 hours researching and interviewing about 20 of those providers.

I knew there had to be a better way to do such research, so I decided to create it—a private child-care referral service. My firm would offer parents a listing of all licensed child-care providers that matched their specific needs and had available openings. While taking care of my infant, I began my business at home.

For two months, I researched child-care providers throughout the county and established a database. I limited my research to licensed day-care providers; I did not want to have to screen nannies and other types of in-home care. I called providers and asked about specifications that would interest most parents—details such as the age range of the children, the fees, hours, the ratio of care givers to children, toilet-training requirements, activities, and restrictions.

When I felt my database was large enough to enable me to open my business, I began advertising Baby Minder Finders in the Yellow Pages and in local parenting magazines.

As often happens in a new business, the market led my enterprise into areas I had not anticipated. Although I had not intended to provide information on in-home care, for example, I received so many calls about it that I felt I had to compile a resource book of nanny, babysitter, and au pair agencies in the

San Francisco area. Later, in response to inquiries, I produced a resource book on day care for sick children. Both books are updated quarterly. I recently developed a resource book of care givers that provide swing-shift and overnight child care.

My database now covers seven San Francisco area counties, and I update it regularly. Clients can purchase either one-time or multiple listings of licensed day-care providers that match the clients' specifications.

One-time listings give information on 10 to 20 facilities. Multiple listings provide parents with as many listings as they need until they find child care. The fees for listings range from

\$60 to about \$100; the resource books—all targeted for the San Francisco area—are \$20 to \$30 apiece.

With Baby Minder Finders doing well after its first year, I decided to expand the enterprise by contracting with local companies to provide their employees with child-care resource and referral services. I believe that employers should become involved in helping their employees find child care. Offering such help can be a benefit not only for the working parent but also for the employer, who gains an edge for recruiting and retaining employees. Moreover, productivity can increase when a

working parent isn't worried about finding child care.

My husband, who had been in sales and marketing for 10 years, gave me tremendous help with sales presentations. In 1989 we got our first corporate account—an electronics company—and over the next year we acquired six more corporate accounts. In those two years we added four employees.

Now we have corporate accounts in other cities; we subcontract work to appropriate agencies in those cities, paying them to provide our corporate clients' employees with services that are similar to those we offer here in the San Francisco area.

As another service for corporate accounts, I have developed seminars to educate parents on topics such as how to select quality child care, interview providers, write contracts, and balance the demands of business and family.

We still operate Baby Minder Finders from home, which minimizes our expenses. Revenues for 1991, our third full year, are expected to be at least \$200,000. They could reach \$500,000 if we secure the additional corporate accounts we are pursuing. We have a net profit margin of 35 percent.

We intend to grow and secure more corporate accounts while giving personalized attention to each parent we serve. We also are looking beyond childhood: We plan to supplement our services with an elder-care referral program this year.

Solving a problem of my own has helped others, and it also has helped me achieve my dream of owning a business.



PHOTO: GEORGE OLSON

Cathy Leibow: For parents, children, and employers.

Cathy Leibow is President of Baby Minder Finders, Inc., P.O. Box 1597, Pleasanton, Calif. 94566; 1-800-777-3319.

Readers with special insights on meeting the challenges of starting and running a business are invited to contribute to *Entrepreneur's Notebook*. Write to: Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062.

Dateline: Washington

Business news in brief from the nation's capital.

By Mary McElveen

LABOR RELATIONS

Airlines Say Striker Bill Would Ground Carriers

A ban on replacing striking workers would "kill U.S. airlines," an industry leader says.

Robert J. Aaronson, president of the Air Transport Association (ATA), said that airlines unable to hire permanent replacements for strikers would be "at the mercy of union leaders in future labor negotiations." He added, "The big losers if that happens will be consumers."

The airlines are heavily unionized and highly susceptible to strikes. The ATA, which represents the nation's scheduled airlines, notes that 85 percent of pilots, 82 percent of airline mechanics, and 81 percent of flight attendants are union members.

Employers may not hire permanent replacements for workers who strike over alleged unfair labor practices, but they may permanently replace strikers if the dispute involves wages and benefits. The AFL-CIO is backing legislation that would impose a blanket ban on permanent replacements, regardless of the reason for the strike.

Business has mounted a major effort



PHOTO: ©TED HORNOWITZ—THE STOCK MARKET

Airlines could suffer if a bill to prevent replacement of strikers is enacted.

to defeat the bill, which labor is trying to push quickly through Congress.

Aaronson commented in connection with the release of an analysis of the economic impact of the labor-backed bill on the airline industry.

The study, conducted by Gellman Research Associates, Inc., for the Air Transport Association, found that airlines already suffer huge financial losses

during strikes under current law. For example, one major carrier lost \$10 million a day when its pilots went on strike for a month in 1985.

The study analyzed the potential impact of the legislation on two of the nation's strongest airlines—one large and one small—based on their operations in 1989, the industry's most recent profitable year.

TAXES

Fight For Payroll Tax Cut Continues Despite Setback

A recent setback to efforts to cut the Social Security payroll tax has not deterred business in its fight to reduce the tax burden on employers and workers.

Says Lisa Sprague, manager of employee-benefits policy for the U.S. Chamber of Commerce: "We will continue to push for a cut despite the Senate action."

On April 24, the Senate defeated a proposal by Sen. Daniel Patrick Moynihan, D-N.Y., that would have made it easier to win passage of the senator's payroll-tax-cut legislation. Moynihan had proposed that the tax rate be cut gradually from 6.2 percent to 5.2 percent by 1996. His plan also would have increased the amount of wages subject to the tax from \$53,400 in 1991 to \$82,200 by 1996.

According to Sprague, the Chamber will continue to push tax-cut legislation proposed by Sen. Malcolm Wallop, R-

Wyo., and Rep. Tom DeLay, R-Texas. That measure would cut rates for both Social Security and capital-gains taxes.

The DeLay-Wallop legislation would also establish a new type of individual retirement account, and the measure would allow for the annual indexing of asset-depreciation schedules to compensate for inflation.

"Our business members believe payroll taxes are too high and ought to be reduced to a more reasonable level," says Sprague. "If we thought the proposals threatened the Social Security system, as opponents of a cut have claimed, we would not be supporting a reduction."

Budget Rules Threaten Expiring Tax Provisions

Business faces a difficult fight in its quest for renewal of several tax incentives due to expire by the end of this year.

Among them are provisions that fos-

ter research and experimentation and encourage employer-provided educational assistance to workers. Another is the 25 percent deduction for health costs for unincorporated businesses and the self-employed.

While business has been able to win extensions of the breaks in recent years, the battle this year will be rougher because of new budget rules.

The budget agreement that was worked out last year between the White House and Congress requires Congress to come up with revenues to replace those that will be lost if lawmakers extend the breaks this year.

Rep. Dan Rostenkowski, D-Ill., chairman of the tax-writing Ways and Means Committee, one of the most powerful figures in setting federal tax policy, has said he will not press for extending the breaks.

Business lobbyists say strong pressure from businesses at the grass-roots level will be essential to win extension beyond this year.

Making It

Growing businesses share their experiences in creating and marketing new products and services.

How An Indian-Born Entrepreneur Found The "Tiger" Within Herself

In this era of layoffs, salary freezes, and slumping sales, a six-year-old company begun by a housewife from India is thriving.

Final figures are not in, but Kavelle Bajaj, the president of I-NET Inc., estimates that 1990 revenues were \$23 million, up from \$18 million the year before. Early projections suggest that this year's sales will be \$40 million.

Based in Bethesda, Md., I-NET provides services in communications and information systems, as well as automatic data processing and telecommunications facilities management. As Bajaj puts it, I-NET "brings together the right phone company with the right equipment for the right user."

Employees have grown from 275 a year ago to about 450. I-NET has expanded to 16 locations nationwide, and if Bajaj has her way, it will become "a

major 'Fortune 500' corporation. Everything that we are doing and planning for is in line with that goal."

Bajaj's life today offers a startling contrast to her life in earlier years. Reared in a conservative family in India, she earned a degree in home economics at Delhi University. Her parents—with her agreement—arranged for her to wed Ken S. Bajaj, who had a Ph.D. in computer science and was working at Wayne State University, in Detroit. Five years later, Ken Bajaj's career took them to the Washington area.

"I came [to the U.S.] as a bride," Kavelle Bajaj recalls. "I just had stars in my eyes, and the only dream I had at that time was to set up house and home with my husband." But after a while, that wasn't enough. She found herself wondering what kind of business she could start.

She tried designing jewelry and leather handbags and even did a stint as an Avon lady. (Last year Avon Products Inc. selected Bajaj for one of its six annual Women of Enterprise awards for her achievement with I-NET.)

She ruled out retailing or the restaurant business because neither offered her the control of her time that she wanted. After all, she had two young sons (now ages 11 and 14) to look after.

To keep her mind "alive," she took some computer-science courses, and before long, she began to see an opportunity in telecommunications.

It was Ken Bajaj's encouragement—and the \$5,000 she borrowed from him to start I-NET—that finally launched her. Bajaj originally intended to call her company "Information Networks Inc.," but when she found out the name was already in use, she chose I-NET, which she had been using as an abbreviation.

She applied for certification under the so-called 8(a) program, through which the federal government sets aside a certain number of contracts for minority-owned businesses. Turned down, she appealed the decision and won. But when the letter of notification arrived, she notes with a laugh, it was addressed to Mr. Kavelle Bajaj.

Her first contract was a \$130,000 job to help the National Oceanic and Atmospheric Administration make the transition from word-processing equipment to personal computers. Over time, I-NET has done \$600,000 worth of business with NOAA. The company also has contracts with the Department of Defense and the Department of Health and Human Services, as well as with such commercial clients as MCI and US Sprint.

Bajaj will graduate from the 8(a) set-aside program in 1994. It's a "great program," she says, but "you have to be careful because it's addictive." Many companies, she says, fail to plan for the day when they must operate on a competitive basis. To avoid that trap, Bajaj has built a mix of both 8(a) and regular government contracts. "We've been bidding competitively, and we've been winning competitively," she says.

One reason I-NET is doing so well during the recession, says Bajaj, is that it came into being just about the time the federal government was beginning to hold down its spending. From its in-



PHOTO: CHERYL H. REMBERG—GAMMA LIAISON

Kavelle Bajaj came to the U.S. as a bride, planning to be a housewife—but now she heads a multimillion-dollar company, and husband Ken works for her.

ception, I-NET kept what Bajaj calls "a tight belt," while other companies, used to fatter days, had to learn to cut down big overhead costs and markups. "We've been able to give the customer outstanding service at very competitive prices," says Bajaj.

Despite leading a high-technology company, Bajaj never expected to do the technical work herself. "You can hire people for that and bring on talent to do that," she says. One person she hired two years ago was her husband, who left a position as a vice president of EDS, the information-technology-ser-

vices division of General Motors, to become I-NET's executive vice president.

Being a wife and mother first gave her an advantage as a manager, she contends. A homemaker, she says, has to manage budgets and resources—"maybe on a smaller scale, but it's pretty much the same."

To advance her march toward becoming a major factor in U.S. business, Bajaj is moving to expand her commercial market base and become less dependent on government contracts, which now make up about 90 percent of her business.

Back in the days when she was experimenting with handbags and jewelry, Bajaj says, "I didn't have that much confidence in myself." Like many would-be entrepreneurs, she needed that extra little nudge—the one her husband finally gave her—to push her into action.

"Most of us have a lot of talents which we really don't recognize or are afraid to open our eyes to," she says, "because we're afraid of what we might find. The tiger in us! And ready to leap!"

She found her tiger, she says. "Now it's untamable."

—Sharon Nelton

How He Turned The Magic Of Business Into The Business Of Magic

It took more than one trick up the sleeve of Bill Herz, professional magician, to build his New York-based Magicorp Productions into a company that grossed \$825,000 last year.

"To be honest," he says, "it wasn't even my own sleeve."

In 1986, after a performance at a corporate banquet in London, he taught an executive some simple tricks that the executive could perform himself during a one-day sales meeting. "He contacted me later," Herz continues, "and said his audience was won over immediately. His presentation was the one they remembered at the end of the day."

Herz—who earned an M.B.A. from Cornell in 1982 and had been performing at corporate events since 1983—soon saw, whenever he mentioned his London experience to his clients, that many of them wanted to get into the act.

"That's when I realized that business is a performing art and the managers are performers," he says. "Slide shows and colorful graphics can only go so far, but an illusion makes their message unforgettable."

In 1987, Herz started Magicorp, which provides customized magic for corporate events. The company's centerpiece is Participatory Illusions, a term Herz coined to describe creating and teaching magic for executives to perform. Now Herz, 35, teaches magic to more than 100 executives a year, from a client list that includes Citicorp, Revlon, and IBM. His fees range upward from \$1,500, depending on the complexity of the illusion he's teaching and the props and assis-

tance it will require. The key to his success, Herz believes, is that he understands business.

"It's not a magic show," he says of the typical presentation that executives make after he teaches them how to do it.



PHOTO © ARNOLD ADLER

Magicorp's Bill Herz brings a light touch to serious business meetings.

"It's a business event and must be conducted as such. We want people to talk about the message, not the magic."

After clients discuss their objectives with him, Herz creates illusions that support their presentations and can be mastered in less than 20 minutes. For example, when an insurance company presented its sales force with new policies, Herz taught a vice president how to rip an old policy to shreds and reassemble the torn papers to reveal a new one. When another company wanted to convince its sales staff of the importance of a new floppy disk, Herz taught an

executive how to convert the disk to cash in front of the salespeople.

Herz discovered the link between magic and business early. At age 14, during a summer job selling brushes door-to-door, he won his first sale by making a quarter appear from the straws of a broom. "I realized quickly that the product had not changed, just the presentation," he remembers. "All my presentations from then on included magic. My sales increased tremendously."

For large productions at corporate events—which may or may not involve participation by executives—Herz brings in specialists in comedy, magic, illusions, stage manipulation, and sleight of hand. Now he is planning to expand his business with a new division that will provide magic premiums, giveaways, and direct-marketing pieces. He is also co-author, with fellow magician Paul Harris, of a book, *Secrets of the Astonishing Executive* (Avon), to be published in June. He and Harris tested 45 illusions for use in everyday business situations.

Corporate magic is not for every corporation. The problem is not stage fright among executives (Herz has yet to see a trick fail), but the cost. Herz says most of his shows cost between \$3,000 and \$10,000. Elaborate tricks requiring special props can cost as much as \$15,000. Major productions lasting several days with many performers can cost \$60,000.

Herz has all his clients sign secrecy agreements, promising not to reveal how the tricks are performed. In return, he frequently must promise not to reveal confidential information about new products or sales projections.

His most requested trick is one he can't perform. "I'm sorry," he says, "but I can't make the competition disappear."

—Virginia Randall

The Right Stuff.

In our catalog you'll find 32,500 essential items to keep your plant, company or job running smoothly. It covers every category from maintenance to construction to office equipment.

Right Here.

Most likely you're only a few minutes away from one of our branches, since we have more than 300 of them. So we're already right where you need us.

Right Now.

Phone or fax your order. It will be ready for pickup when you get there. Or we can deliver or ship the same day if you prefer.

We know if we don't get it right the first time, you may not try us a second time. And that's the most powerful reason in the world to get it right. Every time.



For your free catalog, call 1-800-473-3473.

© 1991 W.W. Grainger Inc.



GRAINGER[®]



The Right Stuff. Right Here. Right Now.

MAKING IT

When It Came To Building A Business, He Had The Right Tools For The Job

Jerry Victory has a ready answer when anyone asks him how bad his bad times got.

In the fall of 1963, he used \$4,750 in borrowed money to buy a half-interest in a one-man shop that sharpened and reconditioned tools for local manufacturers in Little Rock, Ark. His father co-signed the note; Victory himself was only 20 years old, and his wife was expecting a baby. Then, he says, "the truth came out: The place was bankrupt." His co-owner walked away from the shop, leaving Victory with a pile of debts.

Victory worked hard to salvage the business, but soon he was scraping bot-

His one-man shop has become Little Rock Tool Service, a company with 86 employees and annual sales of around \$7 million. He still sharpens cutting tools, but now he is also a leading manufacturer of such tools himself.

To get some sense of the kind of tools Victory makes, you need only examine a set of drill bits for a home handyman's electric drill. Picture any one of those drill bits as considerably larger, far more complex, and much harder—do that, and you will have pictured something resembling what Jerry Victory makes. Major manufacturers install his drills, reamers, punches, and routers in their machine tools and use them to cut

lever faucet to work. He makes tools that descend from within other tools.

Designing such tools is a matter of back-engineering, he says: "First you figure out what you want the hole to look like, then you make the tool that will do it." Sometimes a customer designs the tool; sometimes Victory's people do. He sells his tools for anywhere from \$5 to \$2,000 each, depending on the quantity ordered and on how precise the tolerances must be.

Victory began selling cutting tools around 20 years ago, as an adjunct to his sharpening and reconditioning business. At first he sold "catalog items," but getting into manufacturing was not a major step, he says: "Knowing how to repair tools made it quite easy for us to make tools." Victory began making tools in earnest less than 10 years ago, when he bought a machine to do fluting. Now he has customers in 22 states and several foreign countries.

Growth has not come painlessly. Little Rock Tool's location in largely rural Arkansas has led some potential customers to "kind of expect us to have an outhouse for a restroom," Victory says. His customer base is vulnerable to recessions, and so Little Rock Tool is, too. "We've always been very cautious about how we would grow," Victory says.

During one bad spell, his employees agreed to work a four-day week; some worked Monday through Thursday, the rest Tuesday through Friday. That way, Victory says, "our customers never knew we were in a crunch"—and that was just as well, because he didn't expect any sympathy: "When you complain to people, half of them don't care, and the other half think you're getting just what you deserve."

Many entrepreneurs who, like Victory, have built a company from less than nothing to solid success are reluctant to reduce their own involvement in the business. Victory, at age 47, shows no signs that he's unwilling to cut back.

He has delegated most of the day-to-day operation of the company, and he has shared equity—a total of 20 percent—with two top managers. He says he'll be ready to sell outright in 15 years, when Little Rock Tool's new 45,000-square-foot plant south of Little Rock is paid for. He has brought the company to a point, he says, where it runs just as well when he's not around as when he's there—and he likes that.

"When you have a company that's like a baby," he says, "and you raise that company, and it gets up a little older, you're very sensitive about turning any of it loose. One of the hardest things I ever had to do was to let someone else take care of my baby. But it's the only way you can grow."

—Michael Barrier



PHOTO: T. MICHAEL KEZA

On the cutting edge: Jerry Victory built a one-man tool-and-die shop into one of the nation's leading producers of specialized cutting instruments.

tom. "One morning I went to work without breakfast," he continues, "because we did not have anything to fix." He had no money for lunch, either, "but I had 7 or 8 cents in my pocket. You could buy a King Edward cigar for 6 cents at that time, and I bought one. I would puff on it and put it out very gently, so I could have it for later."

That day he got a check for a small amount—\$15 or so—from a customer. "If it had been for \$20,000," Victory says, "I would not have been any more satisfied." He cashed the check, bought lunch, and savored a basic business triumph: "I had survived starvation."

It took four years, but Victory finally got out from under his debts. Since then, he has done much more than survive.

the metal that goes into cars, airplanes, and dozens of other products.

Little Rock Tool is a company of average size in its industry, but the largest firms—whose sales may be 20 times as great—make what Victory calls "catalog items," standard tools that can be bought off the shelf. Victory thinks he is one of the biggest manufacturers of custom cutting tools, although he says the extreme specialization in his field makes exact comparisons suspect.

He makes, for instance, a tool called a chamber reamer—it cuts the ammunition chambers in gun barrels and must be ground to a tolerance of one-tenth-thousandth of an inch. He makes another tool that cuts the cavity that holds the control ball that permits a single-

Five Ways To Spot A Workaholic.



1

A complete Customer Confidence Guarantee that is second to none.



2

A flexible Cost Per Copy program.

© 1991 Konica Business Machines U.S.A., Inc.



3

A full line of hard working, reliable copiers.



5

A nationwide sales and service network.



4

A 0% Financing plan that's easy to understand, easy to use.



Konica
COPIERS • FAX

Circle No. 6 on Reader Service Card.

If your copier doesn't have these characteristics, it's not a workaholic.

If your copier isn't a workaholic, it's not a Konica.

For more information, call 1-800-2-KONICA
(1-800-256-6422).

A New Sense Of Service

By Michael Barrier

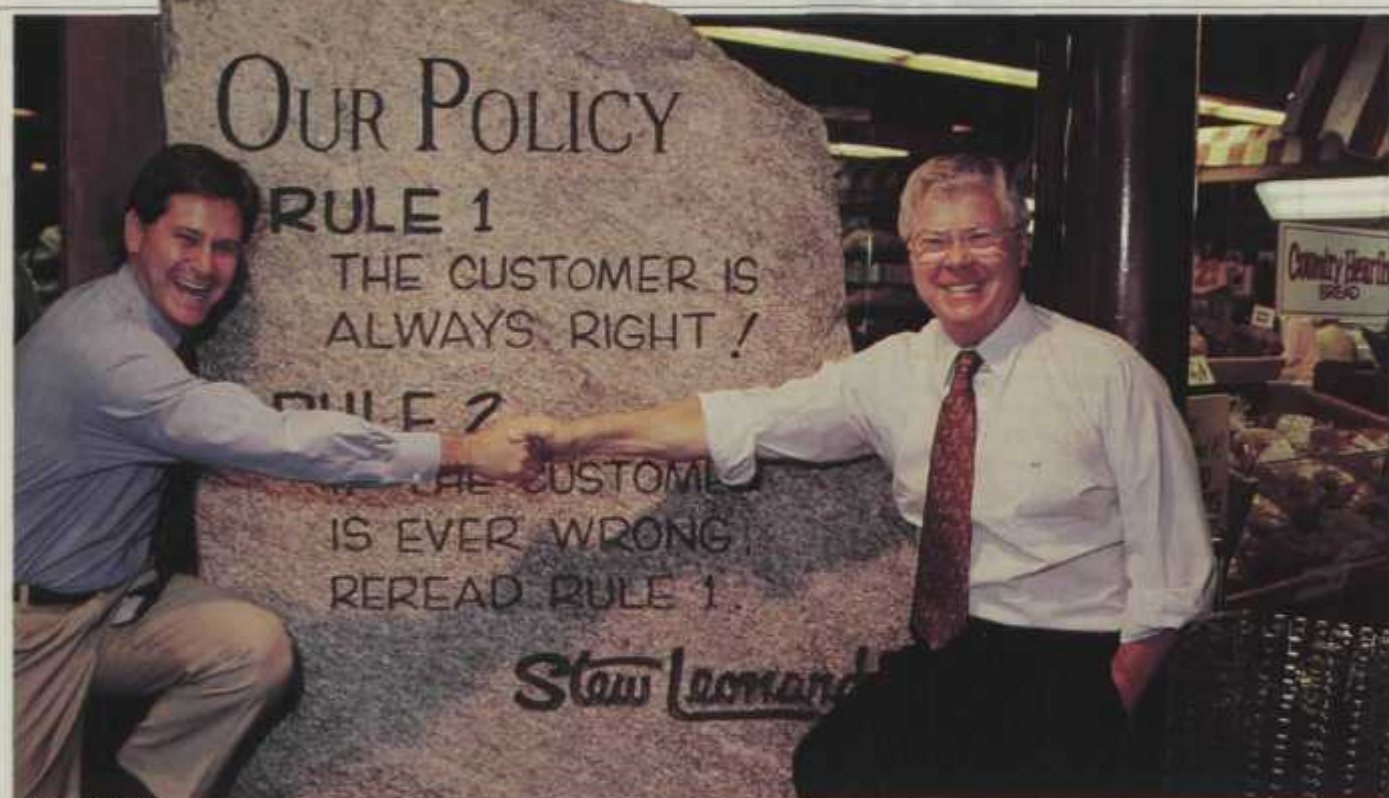


PHOTO: T. MICHAEL KEZA

The Stew Leonards, Jr. and Sr., shake hands in front of a five-ton piece of granite incised with the motto of their Norwalk, Conn., store—a retailing marvel with \$115 million in annual sales.

Stew Leonard Jr. tells a story about his father, whose name adorns a famous Norwalk, Conn., food store. Stew Jr., 36, runs the store now, under his father's watchful eye. A couple of years ago, Stew Jr. and his brother, Tom, and some other managers from the store were getting ready to meet with a high-powered, high-priced consultant. Stew Sr. couldn't attend the meeting, so Stew Jr. asked him on the phone if there was anything particularly important he wanted discussed.

"I bought some corn yesterday," Stew Sr. replied, "and had it for dinner last night, and it wasn't really sweet."

Stew Jr. gently remonstrated with his father: "Dad, this isn't that kind of meeting. We're talking about strategy, we're

talking about merchandising. Isn't there anything really important that you want me to mention?"

"Yeah. The corn isn't really, really sweet."

From there, Stew Jr. recalls, their conversation turned immediately to how to get corn into the store the day it was picked. As it wound up, "we had to completely rearrange the trucking, and our farmer had to start picking earlier. But we got fresh-picked corn. As a matter of fact, we couldn't even start selling it until 10 a.m. We used to have it at 7, because we'd brought some in the night before."

The lesson of the story is not that Stew Leonard is obsessed with details. He used to be, he admits—he would

walk into the store, hand some employee a clipboard with a yellow legal pad on it, and say, "You write 'em down as I go around. Look at the cracked eggs, look at the dirty windows." But he doesn't do that any more. Instead, he focuses intently on details that matter—like sweet corn.

More and more U.S. businesses are learning which details matter, and how to get them right. What drives these businesses is a new sense of quality service—an old term, but defined now in a way that can transform any business that grasps its meaning. To appreciate the power of that term, take a walk through Stew Leonard's store.

Leonard, now 61, launched his business 22 years ago next fall as a dairy

These enterprises demonstrate what today's managers need to learn about quality performance: Customers define it, and employees provide it.



PHOTOS: T. MICHAEL KEZA, GHERMAN KOKOJUN-BLACK STAR, T. MICHAEL KEZA

store called Clover Farms. He had started as a dairyman, making home deliveries, and he got into the retail business almost by accident, after a state highway project demolished his plant. At first, his store sold milk that he bottled on-site, plus eggs, orange juice, cream, butter, ice cream, and bread.

Today, Stew Leonard's covers 115,000 square feet, and 650 people work there. The store's revenues totaled just under \$115 million last year, and its annual sales per square foot of actual selling space, at \$3,470, are probably the highest of any retail store in the country.

This summer, Leonard will open a second store, in Danbury, Conn., 21 miles north of Norwalk; it will cover 200,000 square feet and sit on 44 acres. For the past few years, Tom Leonard has been selling food—mostly produce—out of a tent at the site; sales last year were running at \$500,000 a week. Now Tom, 34, will be in charge of the new store. With its convenient location just off an interstate highway and ample parking space—advantages that the Norwalk store lacks—the Danbury store will probably enjoy sales much larger than Norwalk's, right from the start.

At first glance, Stew Leonard's success may seem puzzling. For one thing, even though his store now carries more than the seven items it started with, it carries far fewer than the typical supermarket; shoppers can choose from around 800 items at Leonard's, as opposed to 20 or 30 times that many at supermarkets just a few blocks away.

Because of his store's relatively limited inventory, Leonard says, "my wife has to go to a supermarket every week. So does every other customer. We don't sell salt and pepper and a lot of other things."

True, Leonard's smaller selection gives him bargaining power; he buys by the truckload, directly from his suppliers, and his prices are correspondingly low. "What we figure is really the secret of Stew Leonard's," he says, "is that there's nothing in this store we couldn't



PHOTO: CREED HOFFMAN

Danny Wegman and his father lead an upstate New York grocery chain famed for the variety and quality of its food.

COVER STORY: THE QUEST FOR QUALITY

add a dime onto and still have the business we have now." His customers, he says, "come here to save money on good stuff."

However tempting it may be to settle on one "secret" to Stew Leonard's success, low prices alone can't explain \$115 million. Neither can what Leonard calls "the rotation and the freshness and the turnover"—the way that produce and seafood and poultry zip into and out of the store, so that sweet, fresh corn is indeed the norm.

The low prices and fresh produce are parts of a larger "secret": Leonard's dedication to quality. To see that "secret" at work elsewhere in a way that also sheds light on Leonard's success, look a few hundred miles to the northwest, in upstate New York, the home of a 44-store, family-owned chain called Wegmans Food Markets. The regional retail business was born in 1916, but its great growth has come in the past few decades, under the chairmanship of Robert B. Wegman, 72, son of a founder of the company. Now its sales total more than \$1 billion a year.

Stew Leonard has visited Wegmans stores, and Robert Wegman and his son Daniel, 44, Wegmans' president, have

visited Leonard's. The Leonard and Wegmans stores share some characteristics; when you enter the showcase Wegmans store in the Rochester suburb of Greece, for instance, the first thing you see is a produce department that, like Leonard's, seems all but overflowing with "good stuff," like some Hollywood dream of a farmer's market.

But differences soon announce themselves. At Stew Leonard's, you might find plenty of beautiful peppers, but all of them red or green; at Wegmans, the beautiful peppers will more likely come in five colors—green, red, yellow, purple, and orange. Leonard recently recalled, wonderingly, that Danny Wegman told him that the chain carried 57 different kinds of mustard. "Fifty-seven!" Leonard mused. "We do have two, deli and Dijon. But 57, that's ludicrous. You have to have cases of every one of those things in the warehouse."

Leonard's memory may have inflated what Danny Wegman told him, or it may be, as Danny Wegman says with a laugh (and a strong hint of tongue in cheek), that "we've tried to pare them down; we've learned from Stew." In any

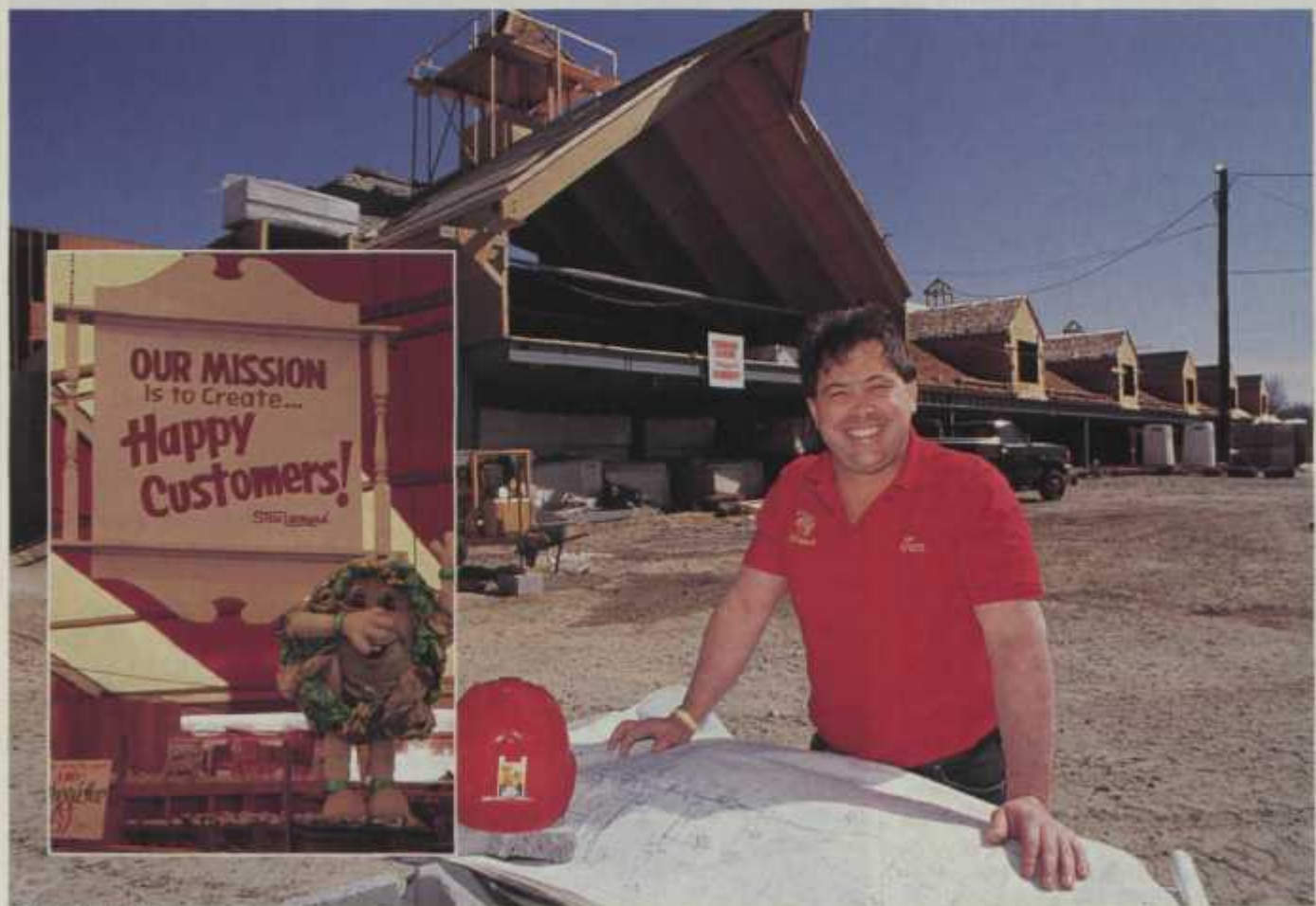
event, by one recent count, a Wegmans store in the Rochester suburb of Perinton had only 41 kinds of mustard on its shelves.

That total probably won't shrink much, if at all. Says Danny Wegman: "We're not subscribers to niche marketing theories, which most of the people in our industry advocate today. We think that if your volumes are high enough, you can provide all the service of a specialty store and get all the low prices of any discount store."

The critical difference between Wegmans and Stew Leonard's, he says, is that "Stew wants you to shop elsewhere, so you'll come and appreciate what he's doing. We just want you to appreciate what we're doing. We don't want you to have to go anywhere else for anything you need on a regular basis." (The one exception, at least for now: dry cleaning.)

But for all their conspicuous differences, Stew Leonard's and Wegmans unmistakably share a fundamental similarity. Call it alertness—an acute awareness of the customer.

They show that alertness differently, like the very different companies they are. At Stew Leonard's—a single store



PHOTOS BY MICHAEL KEZIA

Tom Leonard has rung up sales of \$500,000 a week from a Stew Leonard's tent at Danbury, Conn. (inset); starting this summer, he will manage a 200,000-square-foot store there.



PHOTO: T. MICHAEL KEZZA



On the steering committee for the Wallace Co.'s award-winning quality efforts: standing from left, CEO John Wallace, C.S. Wallace Jr., and Carl Anderson; seated, Bala Nathan, Dave Coulter, and Michael Spiess.

with a limited line, in a sea of competing chains—the antennae are always up. Thus Leonard's sharp reaction to the inadequate corn: Customers who must make an extra stop to buy produce will expect it to be exceptionally fresh. The Leonards cherish complaints. "When people call up," Tom Leonard says, "and they have a problem with an item, I thank them so much for calling, because I can go out and solve the problem right now."

But the Leonards also probe for customer attitudes that may not lie so close to the surface. Stew Sr. cites the customer focus groups that Stew Jr. has started. At least once a month he meets with about 12 customers for a one-time, one-hour session in which they say what changes they'd like to see in the store; each participant receives a \$20 store certificate. "Some of the ideas that have come out of that have been incredible," says Stew Sr. The Leonards learned, for example, that customers thought that fish wasn't as fresh if it came in plastic supermarket packages; they preferred to buy it on ice.

"We have carpenters here in the store," Stew Sr. says, "and we went down the next morning and built a counter and put ice in the darned thing, then we put all the fish on it. And before you know it, we were selling twice as much fish, on ice. I don't know how many years it might have been before I thought of that—maybe a hundred."

Wegmans, unlike Leonard's, dominates its home market, in Rochester, and it is a commanding presence in Buffalo, Syracuse, and other upstate cities. "We have 17,000 customers who work

for us," Danny Wegman says, referring to the company's employees, "and that's a pretty good source right there. Sometimes we use focus groups, but just by being in the store, and listening to each other, we think we know a lot of what they're interested in."

Wegmans has chosen to immerse itself in its communities—a choice reflected in its everything-on-a-regular-basis product mix, in a scholarship program for the kids who sack groceries, and even in the size of its stores. When he was in college 25 years ago, Danny Wegman says, he and his father seriously discussed expanding the chain by building very large stores that would have been similar to today's hypermarkets. But that would have meant building fewer stores, serving larger areas—and would have meant, in effect, that Wegmans could not be as close to its customers as it is now, when there seems to be a Wegmans store on every other corner in the Rochester suburbs.

As different as they are, Stew Leonard's and Wegmans have achieved virtually identical reputations for the kind of excellence that grows out of attentiveness to the customer. Sometimes the term "customer service" is applied to what the Leonard and Wegmans stores do so well, but "customer service" too often suggests mere eagerness to please. Customer satisfaction is the crux of the matter, and as Carl Thor, president of the American Productivity and Quality Center, a Houston-based research organization, says, "Customer satisfaction is only partly a matter of smiling. Somebody

can smile a lot, but if their computer screen is empty..."

At both Stew Leonard's and Wegmans, smiles abound behind the counter; look admiringly at the cantaloupe a Wegmans produce man is cutting up, and likely as not he will smile as he offers you a piece to sample. But at both places, the smiles simply enhance what is almost always a satisfying encounter in other, more substantial ways.

The people at Wegmans and Leonard's know their jobs. Training is very thorough—Wegmans gives its new cashiers 30 hours of it, for instance, and Stew Leonard estimates that he spends more than \$1,000 training each new employee. Profit sharing and promoting from within hold turnover down in an industry where heavy turnover is the norm. Danny Wegman notes that all three of his vice presidents started with the company as teenagers, sacking groceries.

Well-trained, experienced employees stand a better chance of satisfying the customer than green help does, but what really matters is understanding what satisfaction requires. Here is where constant alertness at Leonard's and Wegmans pays off most handsomely: They and their employees know how to provide their customers with goods and services of high quality—as the customers define it.

The idea that "quality" should be customer-defined is hardly new. It has long been implicit, and often explicit, in the writings of authorities as varied as W. Edwards Deming and Tom Peters. But only in recent years, it seems, have many American businesses made the visceral connection between improving their

Why A Quality Pacesetter Chooses To Hide His Light Under A Bushel

A young woman wrote recently to a California company that she and her colleagues had all bought its flashlights: "They are great!"

Just another fan letter? Not exactly. The writer continued: "The government flashlights in our tool boxes are worthless. Your Mini Maglites save us a lot of grief while working on F-18 fighter jets in the dark."

The letter came from a Marine sergeant stationed in Saudi Arabia, at the height of the air war over Iraq, and was addressed to the Mag Instrument Co., in Ontario, Calif., 50 miles east of Los Angeles. Mag received hundreds of such letters—all praising Mag and usually asking for replacement bulbs (Mag sent them immediately, free of charge).

Another fan, this one in the Air Force, described his flashlight's performance in terms that explain Mag's popularity: "It has been dropped off refueling trucks, dropped in fuel tanks, and run over by a C-130 aircraft"—all without damage.

In little more than a decade, Mag Instrument's flashlights have become the industry's premier products, universally praised for their durability, precision engineering, and elegant design.

Mag Instrument has around 600 employees, but it is essentially one man: Anthony Maglica. He was born in New York in 1930, the son of Yugoslavian immigrants. In 1932, when his long-shoreman father could not find work, his mother took him back to Yugoslavia, to live with her family. Mother and son were trapped in Europe by the outbreak of World War II, and Maglica did not return to the U.S. until 1951. His English is still heavily accented.

By the late '70s, Maglica had been in business for himself more than 20 years. He owned a job shop, machining parts for military equipment. He had achieved success of a sort, he says, but he hoped for something better: his own product.

Then he hit on flashlights. With his experience in machining precision parts for the military, Maglica says, he was sure that he could produce a flashlight "that was made out of durable material, that had a quality finish—something that you wanted to take care of."

He targeted the law-enforcement and sporting-goods markets at first, and Mag-Lite flashlights' ruggedness soon won them a wide following. From there, the flashlights' popularity spread into the broader consumer market, propelled in part by new models such as the pocket-sized Mini Maglites, which Mag Instrument first offered in 1983.

Mag's flashlights have always commanded a premium price—they are likely to cost twice as much as other flashlights of the same size—but Maglica says that he has never increased the recommended retail prices for any models (which range from under \$10 for the Solitaire, the smallest flashlight, up to just under \$150 for a rechargeable model) since they were introduced.

Maglica has withstood the upward pressure on his prices—and the temptation to make his flashlights overseas—by automating his operation ever more heavily. Mag's factory floor is covered with computer-governed machines, designed by Maglica himself, that assem-

ble flashlights automatically, rejecting parts that do not meet extremely close tolerances.

Several manufacturers brought out low-priced imitations that mimicked the Mag-Lites' appearance but rarely if ever approached their quality. Maglica attacked the imitators in court and won a string of victories, but at a cost he puts at \$24 million. Today, Mag-Lites' reputation for high quality may well be the only defense they need against shoddy imitations, but Maglica still feels threatened. He is highly secretive about his company's finances and its technology.

Small, innovative businesses like Mag

Instruments pose a sharp dilemma for everyone who wants to see the quality of American manufacturing improve. Were Maglica willing to share more of what he has learned, no doubt manufacturers of many things other than flashlights could benefit—but, as his court fights suggest, he has reason to fear that he could also wind up exposing himself to lethal competition. Other small firms are in the same position.

A possible easing of this dilemma lies in the growing public awareness of prizes like the Malcolm Baldrige National Quality Award. Companies that apply for the Baldrige award must agree to open their doors if they win, so that other firms can learn from them, but the winners get something valuable in return: the strongest possible publicity for their products and services.

Beyond that, Mag Instrument, and



PHOTO: GREENMAN KONGLANS-BLACK STAR

Tony Maglica's Mag-Lite flashlights have won acclaim for their durability and design—but he has had to fight off cheap imitations.

ble flashlights automatically, rejecting parts that do not meet extremely close tolerances.

Several manufacturers brought out low-priced imitations that mimicked the Mag-Lites' appearance but rarely if ever approached their quality. Maglica attacked the imitators in court and won a string of victories, but at a cost he puts at \$24 million. Today, Mag-Lites' reputation for high quality may well be the only defense they need against shoddy imitations, but Maglica still feels threatened. He is highly secretive about his company's finances and its technology.

Small, innovative businesses like Mag

many companies like it, may not be as vulnerable as they fear, if only because they derive so much of their strength from their owners' seemingly inexhaustible willingness to take pains.

"As I travel," says food retailer Stew Leonard, "I see that in every city there's one person who lives their business," whatever that business is, and whose dedication makes them real standouts. "Those are the people," he says, "that are fun to visit."

If Stew Leonard ever gets to Ontario, Calif., he and Tony Maglica will probably find a lot to talk about.

—Michael Barrier

COVER STORY: THE QUEST FOR QUALITY

products and services, on the one hand, and satisfying their customers, on the other. Understood as a customer-defined standard, "quality" ceases to be an expensive, infinitely receding goal and becomes instead an everyday concern.

Here is how Michael Spiess expresses the connection: "Our belief is that quality issues drive business issues, that they're really not separate at all. We believe that the better we get at meeting customers' expectations, the better our business will become. Statistically, that has proven to be the case."

Spiess is not in the food industry; he is the vice president and general sales manager of Wallace Co., a Houston-based distributor of pipes, valves, and fittings to the petrochemical and construction industries. In 1990, Wallace Co. became the second small business—and the first small-business service company—to win the Malcolm Baldrige National Quality Award. (Among this year's applicants for the award: Stew Leonard's.)

The Baldrige award has been an important factor in raising business consciousness of quality issues. Congress established the award in 1987, to promote awareness of quality and sharing of strategies to achieve it. The first three winners were named the next year. As many as six companies can be winners in a single year, but so far no more than four have been picked. The Milwaukee-based American Society for Quality Control, an organization of quality-control professionals, administers the program, under the guidance of the U.S. Commerce Department.

The Baldrige judges measure applicants against standards in seven areas. Customer satisfaction counts directly for the most points—30 percent of the total—and indirectly for all the rest.

Wallace Co. is a 280-employee family firm with \$90 million in annual sales; it was founded in 1942 by C.S. Wallace, father of the current CEO, John Wallace. (Just turned 90, C.S. Wallace still comes to the office every day.) Caught in Texas' economic collapse of the early 1980s (see "Overcoming Adversity," on Page 25), "we had to find some way to set ourselves apart from our competition," John Wallace says. It was then that a large customer, Celanese Chemical, "said that they wanted to do a lot more business with a few select suppliers. Celanese got us to make a commitment—in fact, sign a document—that we would become involved in the quality movement."

At first, Wallace says, he wasn't sure what that would entail: "I probably thought it meant that I checked every shipment three times to make sure it went out right."

That notion of what "quality" requires is widespread; but in fact, the quality movement calls for a different approach—even a loosening of the reins, in some respects. To achieve the kind of quality that won the Baldrige Award, Mike Spiess says, "we moved from what I call a Lone Ranger style of management to a fully participatory style of management."

The buzzword is "empowerment." It means giving employees—or, if you prefer, "associates" (the Wallace term) or "team members" (Stew Leonard's choice)—greater responsibility for the quality of their work.

The culture shock was at first severe, Mike Spiess recalls. "The first time we walked out in the warehouse and asked somebody about a process or system, they thought we'd been smoking dope. I think we were very typical of most companies. We never asked the people closest to the job what they thought or how to correct an inadequacy in that job. Today we do."

Empowerment has to be approached carefully, John Wallace emphasizes; Wallace employees have gone through around 19,000 hours of training—in everything from statistics to communication skills—at a cost of almost \$750,000, to smooth the transition. Even now, everything they do is subject to review by the key managers who make up the company's quality management steering committee. "We're not telling them to run the company," he says of the employees. "We're asking them for their input to help us in making the right decisions."

He has always reserved the right to overrule his employees' decisions, Wallace says, but he has never had to do it. "I can say without any reservations that we have not had a bad decision. We have trained them hard on satisfying the customer, and that's their main thrust."

But the Wallace Co. not only gives its "associates" broad authority, it also measures their performance. (It measures the performance of teams, rather than individuals, in effect relying on group pressure to raise individuals' performance.) Wallace has adapted standard manufacturing procedures, such as statistical process control, to its own service business, tracking precisely on-time delivery and dozens of other variables. The goal is continuous improvement in all areas that affect customer satisfaction.

Computers have made all these measurements possible, and the rapid growth in computer power has accelerated efforts to improve quality. Carl Thor of the Productivity and Quality Center explains:

"As data becomes better, more accurate and timely, you find that there are

To Learn More

Two national organizations promote quality awareness and higher quality standards for business.

The American Society for Quality Control was founded in 1946 as an outgrowth of efforts to improve the quality of defense production during World War II. Its membership of 83,500 is made up largely of quality-control specialists from manufacturing industries, but it is open generally to both individuals and businesses. For information, write or call Kimberly A. Jacobson at the American Society for Quality Control, 310 W. Wisconsin Ave., Milwaukee, Wis. 53203; (414) 272-8575.

The American Productivity and Quality Center was founded in 1977 by C. Jackson Grayson, former dean of the business school at Southern Methodist University. It is a research organization and publishes many case studies of successful quality-improvement efforts. Membership is open to both individuals and businesses. Write or call the American Productivity and Quality Center, 123 N. Post Oak Lane, Houston, Texas 77024; (713) 681-4020.

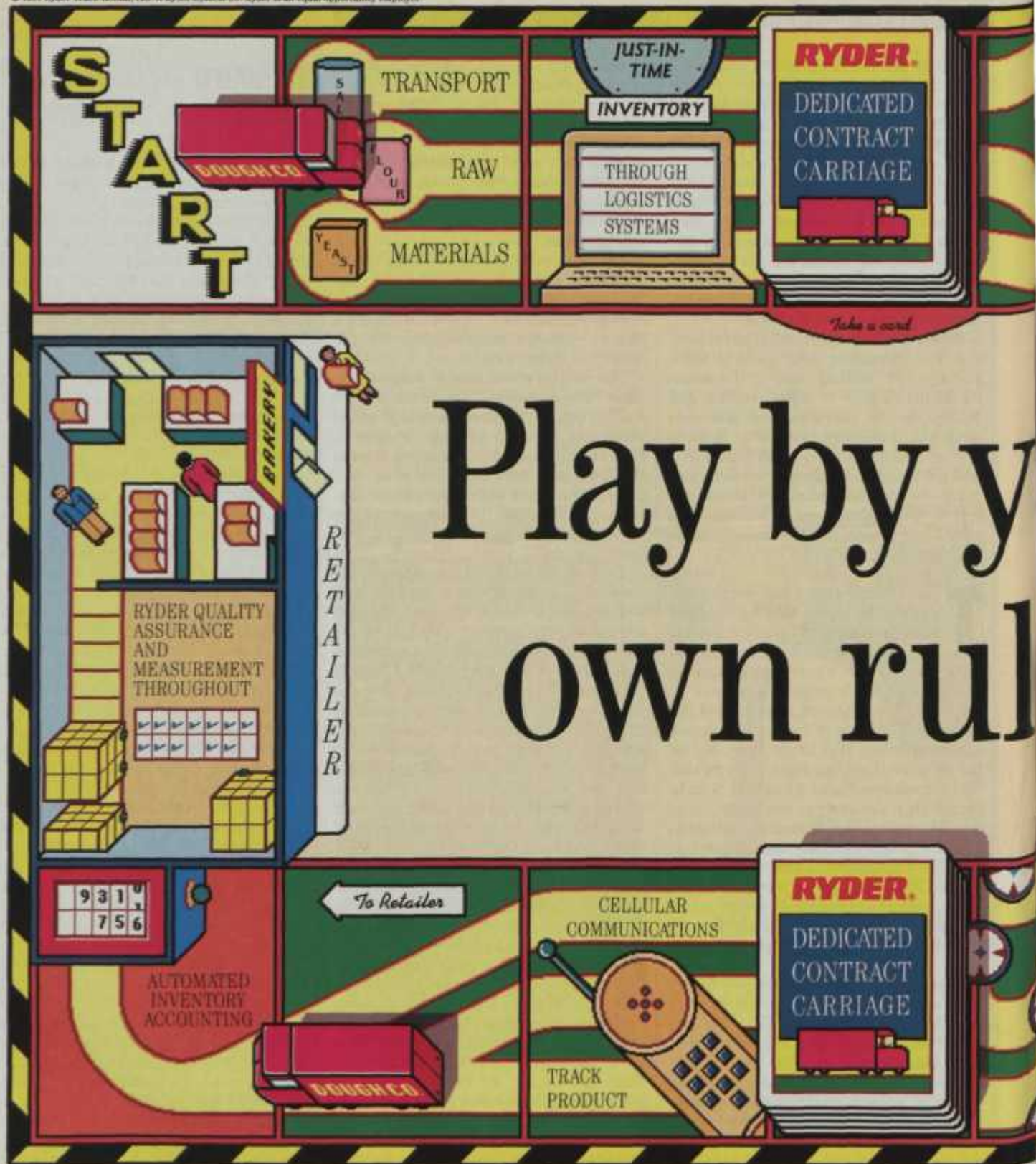
Small businesses thinking about applying for the Malcolm Baldrige National Quality Award next year or later (this year's deadline has passed, and the winners will be announced in the fall) can request a copy of the 1991 application guidelines.

Single copies are available at no cost from the Malcolm Baldrige National Quality Award office, A537 Administration Building, National Institute of Standards and Technology, Gaithersburg, Md. 20899; (301) 975-2036, or fax (301) 948-3716.

Additional sources of information on the subject include "Stew Leonard's: Creating the Customer's Dream," a comprehensive one-hour training video hosted by Tom Peters. It is available for rent or purchase on videocassette or 16mm film from Video Publishing House, Four Woodfield Lake, 930 N. State Parkway, Suite 505, Schaumburg, Ill. 60173, 1-800-824-8889; in Illinois, (708) 517-8744.

Among the many relevant books, two recent titles deserve special mention: *The Customer Driven Company: Moving From Talk to Action*, by Richard Whiteley (Addison-Wesley, \$21.95), and *Customers for Life: How to Turn That One-Time Buyer into a Lifetime Customer*, by Carl Sewell and Paul B. Brown (Doubleday Currency, \$19.95).

—Michael Barrier



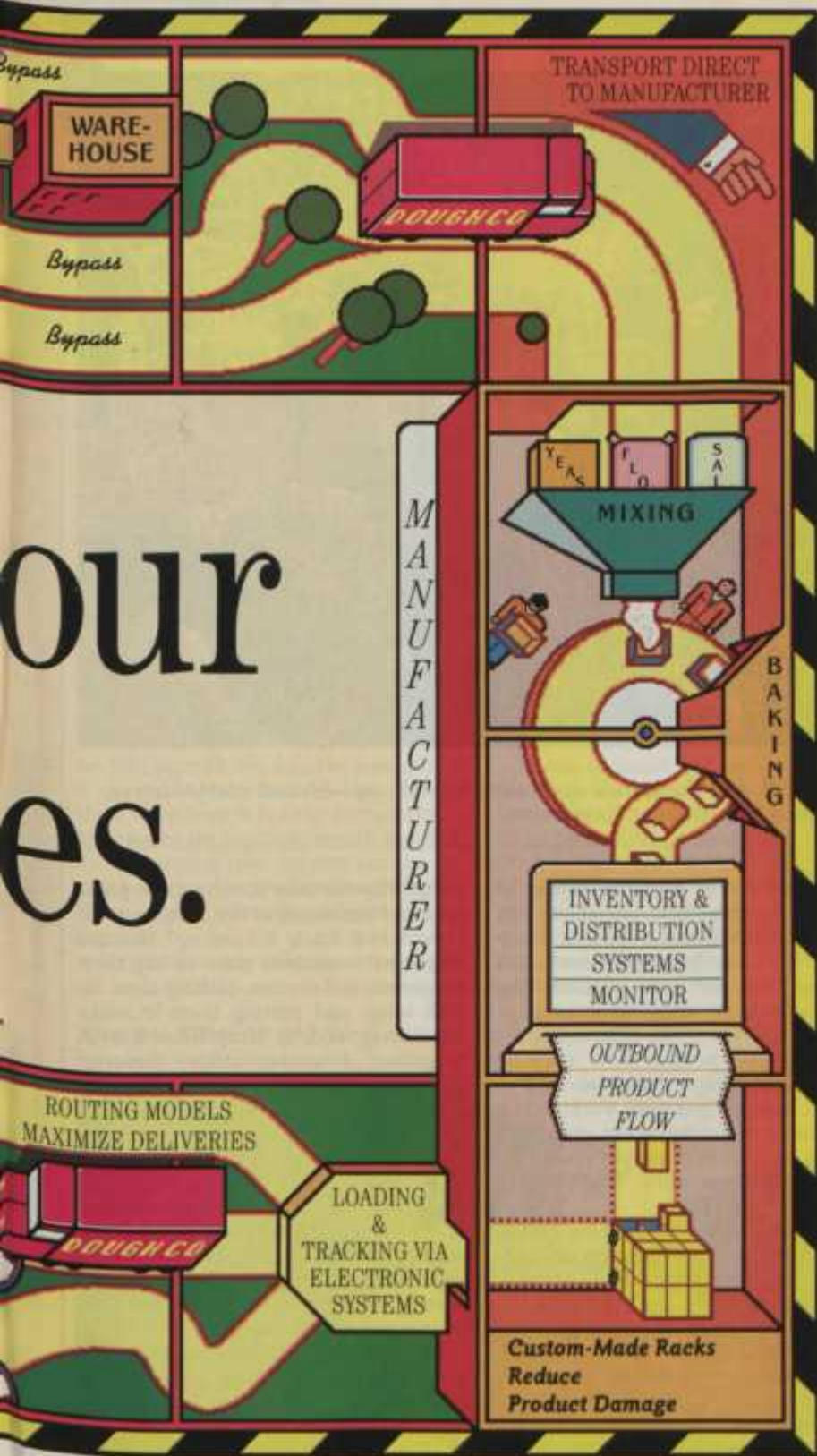
Let's face it. You'd have a much better chance of winning the distribution game if you could write your own rules. And if you had the right teammate on your side.

Consider Ryder's Dedicated Contract Carriage. It's a complete transportation system,

including vehicles, maintenance, administrative management, software design and more. It even covers recruiting, hiring, training, and managing your entire driver work force.

Every element is coordinated to help you improve customer service and cut operating costs.

Our es.



your deliveries more precisely through our just-in-time capability.

We provide computer systems that let you better monitor your inventory and outbound product flow. Ryder can also custom-design special handling equipment to prevent damaged goods reaching your customers.

Our tracking systems ensure the right product is on the right truck, while routing and scheduling models maximize the capacity of each truck and the efficiency of its delivery route. You can even keep in constant touch with your drivers



through the use of cellular phones.

Finally, management systems allow you to measure our performance on criteria like equipment productivity, empty miles and on-time performance.

Best of all, you control—we manage. So you get a system tailored to your needs, and a team playing by

And it's all customized to fit your specific game plan throughout your distribution cycle.

First, you can reduce your warehousing costs by having raw materials shipped from multiple locations direct to the manufacturing plant.

You can cut carrying costs and schedule

your rules. Leaving you more time to service your customers and expand into new markets.

To find out how Dedicated Contract Carriage can benefit your company, call Ryder at 1-800-446-5511, extension 168. You'll find it's a winning proposition all around.

RYDER.

1-800-446-5511

COVER STORY: THE QUEST FOR QUALITY



PHOTO: T. MICHAEL KEZA

Crowds throng the aisles at Stew Leonard's in Norwalk, but the store's up-to-date technology—almost everything is scanned for bar codes—keeps the shelves full and the checkout lines short.

control things you can do that you couldn't do before. It's worth investing in instant marketing research that you couldn't do before. You waited months before, and now you wait hours."

Thanks to computers, retailers can track trends in customer purchases far more precisely than in the past, and they can adjust their product mix accordingly.

That flexibility is critical for a retailer like Stew Leonard, whose computers have long been able to tell him instantly what his customers were buying—and not buying. With that information in hand, he says, "we change with the customer."

But so efficiently does Stew Leonard's technology do its job of bringing the right products into the store and moving customers through the checkout lines (changing the number of available cashiers throughout the day depends not on guesses about customer flows but on computerized counts) that Leonard can run a store that seems barely touched by technology of any kind. He has gone so far as to people his store with employees costumed like cows and ducks, and robotic singing milk cartons, giving it a passing resemblance to a theme park.

The costumed characters and the robots provide what Leonard calls "the wow"—a touch of show biz that serves a serious purpose. "People I talk to say they get bored food-shopping," he says.

"They don't like it. So we're trying to get rid of the drudgery. We weave you through the store with a show in every corner." He wants his employees to feel the "wow," too, and many of them—the people who bottle milk, for example—work in plain view of the customers.

"I think our people love working here," Leonard says, "because they're on show. Imagine you were working in a milk plant and you had a big glass window and thousands of people every day were watching you work. That's pretty heavy stuff."

The "wow" is the sort of thing that is beyond the reach of computers or focus groups—what customer would ever suggest costumed "cows" in the aisles? And sometimes management must go even further, not just by reaching into areas where technology is no guide, but by rolling back technology itself, around the edges.

The Wegmans stores are highly computerized—they scan bar codes on more than 90 percent of what they sell—but, Danny Wegman says, "we still use a lot of manual operations. For example, if you buy doughnuts in our store, the computer can't tell if it was a glazed doughnut or a jelly-filled doughnut. It's important for us to know which one of those it was, so we track that with a manual system"—that is, employees count the doughnuts that are left, so they can tell how many of each kind they've sold.

But why can't the doughnuts be packaged and bar-coded so the computer will know which kinds it's selling? Because Wegmans' customers want to buy their doughnuts self-service, picking them up with tongs and putting them in sacks themselves; and, as Mary Ellen Burris, Wegmans' consumer affairs director, says, "You can't put a bar code on every doughnut."

At first glance, striving for quality may look like an exhausting task; but that is not the message that comes through from business people—like those at Stew Leonard's and Wallace Co. and Wegmans—who have in one way or another committed their companies to that goal.

For them, adopting quality as a goal, and trying to achieve total customer satisfaction, has been more like coming fully awake.

After all, what lies at the heart of the free-enterprise system is not the pursuit of wealth, but an ideal: Two parties, both aware of their own interests, make an exchange of equal value that leaves both of them better off.

"Customer satisfaction" may be the best shorthand way to describe the outcome of a model transaction in a free-enterprise economy. Everyone who wishes free enterprise well can take heart from the growing emphasis on quality, and on customer satisfaction as its foundation.

Overcoming Adversity

By Michael Barrier

They are very different, yet very much alike, the four small businesses chosen as the first National Blue Chip Enterprises.

The differences catch the eye first. What could link a furniture manufacturer, a short-line railroad, a "logistics" company, and a distributor of pipes, valves, and fittings?

Their corporate offices give no clue: Two companies occupy sleek, recently built headquarters buildings. Another operates from a converted canning factory. The fourth occupies the site of what was a liquor distributorship.

The owners, too, seem almost too diverse to be wholly compatible. The oldest will turn 65 this fall; the youngest is a quarter-century behind him. Two of them were born into their companies, in one case as the fourth generation of family ownership; the others put in decades—as long as 40 years—working for other people before the entrepreneurial bug bit.

Even the superficial similarities

among these firms can be misleading: One company has painted its trucks burgundy with white lettering, and another has painted its locomotives in the same colors—but they have no connection.

All in all, a strikingly mixed group. But at bottom, all four businesses, and their owners, share a similarity that makes all their differences seem less than important. They are survivors—tough and resilient, living testimony to the capacity for renewal that makes the free-enterprise system an economic wonder.

All four businesses surmounted obstacles that could easily have defeated them, and they went on to great success.

It was to honor just such competitive fire that the Connecticut Mutual Life Insurance Co. established the Blue Chip Enterprise Initiative last year. The program is endorsed by the U.S. Chamber of Commerce and *Nation's Business*. The initiative has drawn a powerful response from the small-business community; more than 800 firms submitted en-

Can small businesses overcome almost any obstacle to success? The first four National Blue Chip Enterprises answer with a resounding "Yes!"

tries, which were judged by experts on small business.

From those 800-plus entries, 201 state designees were chosen. One company from each state and the District of Columbia advanced to the national judging, which resulted in the designation of these four companies:

- Fox Manufacturing, Albuquerque, N.M.
- Kiamichi Railroad, Hugo, Okla.
- The TLC Group, Zeeland, Mich.
- Wallace Co., Houston.

The four national designees received their awards April 29 at the U.S. Chamber's annual meeting in Washington, D.C. The state designees will receive their awards at 22 regional ceremonies.

The designees have not been named "winners," because Connecticut Mutual wants to discourage the idea that there have been any "losers" in the competition. The idea has not been to elevate some small businesses over others, but to pinpoint those small businesses whose experiences can be a particularly

When Jack Hadley bought the Kiamichi Railroad, many Oklahomans expected him to fail; he proved them wrong.

PHOTO: T. MICHAEL REZA



COVER STORY: THE QUEST FOR QUALITY



PHOTO: T. MICHAEL KEEA

Texas' economic collapse in the early '80s spurred Wallace Co.'s John Wallace, right, and Michael Spiess, left, to adopt quality as a goal.

valuable teaching experience to others.

"If experience is the best teacher," says Denis Mullane, Connecticut Mutual's president and chief executive officer, "American small business can now get on the fast track towards succeeding in this increasingly competitive global marketplace."

In keeping with the idea that experiences should be shared, each state's Blue Chip designee will be featured in a weekly segment on "Nation's Business Today," a weekday television news program of the U.S. Chamber on the ESPN cable network. In July the first of four quarterly video compilations of those segments will be available to interested companies through participating state and local chambers of commerce.

Here, in no special order, are the stories of this year's National Blue Chip Enterprises, and some of the hard-won lessons from their experiences:

Kiamichi Railroad

"You hate to be told that you can't do something, that it can't work," Jack L. Hadley says. "It seems that you then work a little bit harder to make it work."

When Hadley went into business for himself, in July 1987, he had plenty of people telling him "it can't work." After 36 years in the railroad industry in the Northeast (he is a native of Lockport, N.Y.), he was buying a "short line"—230 miles of track, in two crisscrossing segments, that one of the nation's largest railroads had decided to get rid of. The big railroad didn't think there was enough business on those lines to make them worth keeping, but Hadley was sure he could make a go of it.

The two segments crossed at Hugo, Okla., and that was where Hadley planned to put the headquarters of his new Kiamichi Railroad. (That name belongs to a river and some mountains in the area, and supposedly it is derived from the name that French explorers gave to a now-extinct woodpecker.)

Hugo was not honored by Hadley's plans. The townspeople doubted that Hadley could make a go of the Kiamichi; they feared that jobs and rail service would both disappear—and leave Hugo, already locked in a long slump, even worse off than before. Indeed, Hadley said plainly that he planned to start with only 37 employees, half as many as under the previous owner, and pay them wages well below the old union scale.

The local chamber of commerce's board of directors voted unanimously to oppose his purchase of the lines, and at a town meeting that Hadley calls a "lynching," he fielded questions from a hostile crowd of 300 who opposed the sale, fearing it would mean the end of all rail service for Hugo.

It was a stormy beginning; but times have changed. Last year, Hadley served as president of Hugo's chamber. The Kiamichi has been profitable every month since it started operation, even though Hadley had to spend around \$2 million in the first two years on long-deferred maintenance—and even though a 1990 flood on the Red River temporarily washed out the line between Hugo and Paris, Texas. The railroad's revenues have topped \$9 million in each of the past two years. Whereas coal shipments to a large power plant once accounted for the bulk of shipments, now shipments of other kinds—

canned soup, wood products, rock—make up two-thirds of the traffic.

What has made the difference? Hadley thinks that the Kiamichi's previous owner had lost touch with customers in the area; Hadley, by contrast, has gone out of his way to cultivate them. "Our aim is to make the customer successful," he says. "If we can make the customer competitive in his markets, then we'll be competitive."

To that end, he instituted regular schedules on his lines, so that potential customers would know that the railroad would be coming by at around the same time every day, ready to pick up any loaded cars. "We'll take anything you've got," Hadley says, "and if not, we'll see you tomorrow." Likewise, "if somebody's caught short and needs something, we'll make a trip all the way across our lines for one car, if that's what it takes."

Some of his employees, used to the old ways, had trouble adjusting, he says, but others "caught on real fast" when he told them: "We've got to go out and sell ourselves. If somebody says at the last minute that they need a car switched, you can't say it's too late. You've got to switch that car for them with a smile, and ask if there's anything else they want done. If we make money at it, we'll divide it up."

His employees "said that was fair enough," Hadley recalls, "and they'd give it a shot—and they have." Hadley distributed the first profit-sharing bonus checks after the Kiamichi had been in operation only 5 1/2 months.

Hadley has tried to hire no more employees—the total is around 75 now—than the railroad can support in a weak economy, contracting out the rest of the work. "When things get bad," he says, "and they will, we'll say goodbye to the contractors."

Hadley was already approaching retirement age when he bought the Kiamichi—he will turn 65 in October—and he became a railroad owner mainly to end his long career on an upbeat note. (His last job was as president of railroads that a steel company owned; the railroads were profitable, but the steel company went bankrupt, and he says that its bankruptcy tainted the railroads, too.) He expects to ease back over the next few years and finally leave the Kiamichi in 1994 or 1995, around the time that he pays off the loans that he took out to buy it (he owns 70 percent of the railroad; out-of-state partners own the rest). He and his wife already spend parts of the year at their home on 85 acres in Pennsylvania, where they plan to live in retirement.

When he leaves the Kiamichi, Hadley will leave a family business behind—two sons, a daughter, and a son-in-law all

moved to Oklahoma or nearby in Texas to help him run his railroad, and all signs are that they plan to make it their life's work.

Wallace Co.

What happened to the Wallace Co. is pretty much what happened to the whole state of Texas in the early 1980s: The bottom fell out.

The Houston-based company was founded almost 50 years ago, as a supplier of the pipes, valves, and fittings that Gulf Coast chemical and petrochemical industries use in maintaining and repairing their facilities. Over the years, though, Wallace Co. did more and more business with engineering and construction firms—and when energy prices collapsed, and took Texas' economy with them, Wallace lost 50 percent of its business.

Domestic manufacturers responded to the slump by cutting the prices of their pipes and valves, and the value of Wallace's large inventory fell accordingly. Stan Garrett, a Wallace sales representative, puts it this way: "The Wallaces woke up one morning and found out their pipe was worth \$17 million less than it was the night before." Worse, two major competitors that had gone into bankruptcy re-emerged as subsidiaries of much larger and stronger companies.

Wallace struggled through the next few years. In 1985, at a customer's instigation, its top executives turned to the quality movement as a path out of the quagmire. (See "A New Sense Of Service," on Page 16.) Ultimately, they used the criteria for the Malcolm Baldrige National Quality Award as the spur to a complete transformation of the company. Wallace Co. won the Baldrige Award last year, and it has now become a model for other small companies that want to raise the quality of their products or services.

Some of the changes at Wallace are clearly visible. The Houston warehouse, at 140,000 square feet, seems almost eerily empty—it was designed to hold a lot more inventory than Wallace needs, now that it has introduced more sophisticated controls. When the warehouse was built in 1978, says Michael Spiess, Wallace's vice president and general sales manager, the company had sales of \$105 million and 450 employees, and it carried an inventory of \$43 million. Today, sales are \$90 million, there are 280 employees, and inventory is only about one-third of what it was.

Because it carries so much less inventory, Wallace is more profitable now than when sales were larger.

Most significantly, on-time deliveries are way up—92 percent compared with 75 percent in 1987—despite the smaller

quantities on the shelves.

The warehouse is almost spookily clean, too. "That's one thing the Wallaces have always stressed," says Stan Garrett. "We keep a neat house. But back then, you had to have somebody say, 'Let's get it cleaned up.' Today, it's an automatic thing. There's more pride, more of a buy-in."

Other important changes aren't so readily apparent. Wallace used to buy its valves and fittings from 2,500 vendors; now it buys from only about 325, and Spiess hopes the total will fall to around 250. Like other companies intensely interested in quality, Wallace believes in partnerships—close, long-term relationships with compatible suppliers, customers, and, especially, employees.

Before the company mastered the

quality movement, says Chief Executive Officer John Wallace, 55, a son of the founder, "there was a tremendous amount of fear here—fear of making a decision, fear of standing up and being heard." Now, thanks to empowerment—entrusting employees with greater responsibility—that fear has vanished.

Wallace recalls that one employee exercised his new authority—so new it was not even 24 hours old—by rejecting a shipment of flanges from overseas; the shrink-wrap had ripped, salt water had gotten onto the flanges, and rust had formed. The flaw was cosmetic, but a flaw nevertheless.

John Wallace could have overruled the employee's decision, but he accepted it—at a substantial cost. "It was extremely important that we meet the delivery deadline," he says, "and we had to



PHOTO: BRIAN MACK

The TLC Group's Craig Hall and Keith Klingenberg brought their company roaring into the high-tech '90s after a disastrous flood and fire.

COVER STORY: THE QUEST FOR QUALITY

buy the flanges domestically; instead of making 15 or 20 percent, we lost 15 or 20 percent." But the employees' confidence in management's commitment to quality was strengthened, and the company will ultimately profit far more from that than it would have from sending out those blemished flanges.

Says Mike Spiess: "Quality is in your self-interest; it's good for business. It leads to customer satisfaction, and if you satisfy the customer, you're going to wind up getting more business."

The TLC Group

Craig T. Hall, 40, and Keith Klingenberg, 41, have known each other since they were children; they grew up together—"to the extent that we have," Hall says with a grin—in Holland, Mich. Now they're in business together, a stone's throw away in Zeeland, Mich.,

died unexpectedly of a heart attack—and three days after that, fire heavily damaged the company's refrigerated warehouse and corporate offices, destroying almost half the warehouse space. To complicate matters further, Craig Hall says, "it turned out we were 50 percent underinsured." (There was no insurance at all for the "dry" warehouse, since no one ever dreamed it could be flooded.)

Over the next few months, Hall says, "cash flow was a bit of a crunch," and he twice had to lend the company money from his personal funds. But there's no hint in what he says that he ever thought of throwing in the towel; instead, he and his old friend Klingenberg began talking about ways to transform the company.

Although Hall's situation might have appeared difficult to someone looking at

owners (they share ownership of the freight company with a third partner, Jim Ogg). What those companies offer, in combination, is not simply warehousing, or transportation, but highly sophisticated, computerized controls over how goods move from their source to their ultimate destination.

"We're in a very simple business," Klingenberg says. "Warehousing is simple. We receive the product, we count it, we give the same amount back in the same condition. The same thing with our trucks." But "simple" and "efficient" are hardly the same, and TLC's promise is to move goods from the manufacturer's door to the customer's door with the least possible waste—in time, and in use of truck and warehouse space.

"We're in the business of trading information for inventory," Hall says. TLC's customers can keep their inven-



A fire last year wiped out Dale Fox's Albuquerque furniture factory—but he was making his Autumn Wood line again just two months later.



PHOTO: GREGG SCHERER—BLACK STAR

running a cluster of companies under the banner of The TLC Group.

TLC stands not for what you might think, but for Total Logistic Control. It is the latest incarnation of a company that Hall's great-grandfather started in 1904—and that almost disappeared 78 years later.

Founded as a produce company, what is now TLC had metamorphosed into Taylor Warehousing Services by the early '80s, with two facilities—a 2.4-million-cubic-foot refrigerated warehouse and a 215,000-square-foot "dry" warehouse. As of July 1982, the label "dry" could no longer be applied to that warehouse. A freakish 13.5 inches of rain fell on Holland in three hours, flooding the warehouse and destroying or damaging almost everything in it.

Seven months later, Craig Hall's father, the CEO of Taylor Warehousing,

it from outside, he says, "I never thought of it that way, because I'm not a defensive player. I think the best defense is a good offense, and that's how we approached the whole thing."

Klingenberg had worked for two truck lines, and he had become vice president for sales of a large one. He and Hall parlayed his expertise into a truck line of their own, which they dubbed TLC Freight Services—at the same time giving the TLC name to the warehousing company. True to form, the freight line flirted with disaster at first—a \$250,000 line of credit ran out quickly, when maintenance costs for the trucks turned out to be much higher than expected—but Klingenberg and Hall rode out that storm, too.

Now The TLC Group embraces a cluster of five companies, all with Hall and Klingenberg as their sole or principal

tories lean by taking advantage of the detailed information TLC can provide about how their goods are moving on its trucks and through its warehouses.

Results have been spectacular. TLC's revenues grew from \$2.4 million in 1985 to over \$30 million in 1990. And who can say whether any of it would have happened if the skies hadn't opened over Holland, Mich., nine years ago?

"You need events that jar you outside your comfort zone," Klingenberg says, "and we seem to have had more than our share of those."

Fox Manufacturing

For Dale H. Fox, fire was a wake-up call—literally. "Everything was going very well," he recalls. "Then we had a phone call about 4:30 a.m. on May 12, 1990, telling us that our place was burning down."

Fox, 57, owned a factory in Albuquerque, N.M., that made furniture of his own design under the Autumn Wood label—distinctively Southwestern furniture, most often of oak, that he sold through his stores in Albuquerque, Santa Fe, and Las Cruces. He had started his company in 1974—it made wooden bootjacks at first—as a sideline while he worked as vice president in charge of sales, marketing, and design for an Albuquerque clothing manufacturer.

He never gave in to the entrepreneurial urge, Fox says, because "I always ran other people's businesses as if they were my own, and I was fortunate enough to work for people who gave me the reins." But his job took him to the Far East five times a year, and finally, he says, "my body started wearing down." His sideline company was making furniture by then, so he went into the business full time.

From there, Autumn Wood's path led steadily upward—until that Saturday morning fire. Fox doesn't reveal sales figures, but plainly annual sales had risen comfortably into the millions by the time of the fire. Fox Manufacturing had also become a family affair, with his wife, Luana, as corporate secretary and a son and stepson as vice presidents.

The fire posed excruciating problems for the Foxes; they even had to worry about possible arson charges for a few days, until insurance investigators traced the fire to faulty wiring. Says Fox's son Tim: "We had \$1 million in booked orders that were in the process of being built for customers. Our biggest fear when the fire hit was that people would panic and want refunds. That would have killed us."

To head off that kind of panic, Dale Fox announced the day of the fire that the company would be back in production in eight weeks. That afternoon, Fox decided to get in touch with all his customers and pay them interest—1 percent a month—on the money they had put down as deposits on furniture. Each payment would be backdated to the date the customer made the deposit.

He set up a temporary office in the back of his Albuquerque store; thanks to backed-up computer records, he says, "we were up and running on the computer Monday morning. By opening time Monday, we had telephones from the factory ringing in the store. The salesmen called every customer personally, to let them know what was going on."

The salesmen also sent each customer a letter; altogether, Fox Manufacturing sent four letters to each customer, keeping them posted on the company's recovery.

Most customers responded to this attention by waiting patiently for their

**If experience is the best teacher,
American small business can
now get on the fast track towards
succeeding in this increasingly
competitive global marketplace.**

—Denis Mullaney,

President and CEO,

Connecticut Mutual Life Insurance Co.

furniture. One woman even sent Fox the \$16,000 due on her order—explaining that she thought he needed the money more than she did.

As Fox scrambled to buy a new building and replace his woodworking machinery, he took advantage of the opportunity to make his operation more efficient. At the old plant, Tim Fox says, "as Dad would acquire new equipment and bring it in, we were too busy trying to get orders out to rearrange things. It was not laid out efficiently, by any means. Now we don't have to take things from point A to point B 10 times."

In addition, Fox bought machinery better suited to high-volume production, and he began using computers to plan how patterns were cut from the wood, reducing waste.

Fox also benefited from relationships he had cultivated before the fire—with his lawyer, his accountant, and, especially, his banker. As soon as he had found the right building, his bank approved a loan of more than \$1 million, pushing the paperwork through in four days.

"I stay in contact with my bank on a weekly basis," Fox says. "Not that I have to, but I just call them and talk to them. They know everything that's happening in our business." The current credit crunch didn't hurt him, "because I don't wait until we need money to stay in touch with the bank."

Fox met his deadline: Two months after the fire, he was making furniture again. Sales in 1990 were higher than 1989's, and Fox expects Autumn Wood's sales to be even bigger this year.

Like all his fellow Blue Chip designees, Dale Fox knows exactly what it means to rise from the ashes. ■

For reprints of this cover package, which begins on Page 16, see Page 77.

The more you know about power and productivity,
the more you'll want Upsonic.

FREE SAFETY NET

Your business walks a risky high wire every day. The costs of computer system failures to business is staggering. And power problems are not just something that happens to some other company's computer systems. They are probably cutting into your productivity, ruining your competitive edge, chewing up your profitability right now.

So don't let power problems catch you or your



UPSONIC

managers by surprise. Put the proven field experience of Upsonic's 300,000 small uninterruptible power supplies to work for you.

Get all the vital information you need in our free brochure. Find out how your company can manage computer failure risks and save your productivity's fall.

For immediate reply call now on 1-800-UPSONIC, Ext. 30 or FAX us today at (714) 258-0811.

Taking the Initiative.

Blue Chip enterprises are helping America compete.

America's new Blue Chip companies are our country's small businesses. It is these enterprises that are creating the new jobs and providing much of the innovation necessary for our nation to compete.

Connecticut Mutual Life Insurance Company, the U.S. Chamber of Commerce, and NATION'S BUSINESS salute all the companies that participated in the Blue Chip Enterprise Initiative.™ In applying for the Blue Chip Enterprise Award, they've shared their stories of competing in today's challenging marketplace. And we'd like to honor those companies that demonstrated the highest levels of quality, competitiveness and leadership and that have been named this year's Blue Chip Enterprises.

More important, we thank all the applicants for sharing their

methods of success for the benefit of others. This exchange can provide a critical edge in strengthening our country's competitive position.

provide a critical edge in strengthening our country's competitive position.

This is no mere awards program. With the support of 200 volunteer judges and more than

700 Chambers of Commerce, the Blue Chip Enterprise Initiative is truly an ongoing effort to extend the quality and competitiveness of American business. These participating local chambers will be sharing the insights gained through this award search with their members throughout the year.

Small business is the engine that drives the American economy. And we salute the initiative and perseverance it takes to run a business in an increasingly competitive marketplace.

Endorsed by



and Nation's Business.

Connecticut Mutual

A Blue Chip Company of the CM Alliance

REGULATION

Achieving Access For The Disabled

By Bradford McKee

Kreonite Inc., a Wichita, Kan., company that makes photo-processing equipment, failed to retain its first few disabled employees 18 years ago because "we focused on the disability," says Larry Burd, head of manufacturing.

In the years since, he says, the company has learned to focus instead on disabled employees' abilities and to provide the resources they need to do their jobs. By making a few adjustments in working arrangements and plant conditions—such as improved lighting and Braille markings for visually impaired employees—Kreonite has been able to keep disabled workers on the payroll. The firm's 228 employees now include 26 disabled men and women.

Similarly, Beach Brothers Printing Inc., in Rockville, Md., has retained two autistic employees by giving them extra training and teaching them how to function in a workplace with other employees. One of the workers, now with the firm 10 years, had only a two-word vocabulary when he was hired, says Roger Beach, who owns the firm with his four brothers.

Since then, Beach says, that worker has become more expressive and has built an extensive vocabulary. The rigorous effort was worthwhile, Beach says. "He's a taxpayer."

The voluntarism of business owners like Burd and Beach in providing opportunities for disabled employees is being replaced now by government mandates that combine the worst aspects of federal controls—complexity, vagueness, and the threat of ruin for companies that don't comply.

The Americans with Disabilities Act, which was signed into law in July 1990, requires practically all businesses to make their facilities accessible to disabled employees and customers, and it requires businesses with more than 14 employees to

accommodate disabled job candidates in hiring.

The law's scope is spotlighted in *What Business Must Know about the Americans with Disabilities Act*, a book published by the U.S. Chamber of Commerce. The authors state:

"The recently enacted Americans with Disabilities Act... has the potential to change the face of America. Indeed, it will change the way most businesses conduct their employment practices and will determine what actions they must take to make their facilities accessible to all people."

As this enormous statute takes effect in stages over the next three years, companies must cope with requirements ranging from highly detailed specifications on the width of retail-store aisles, for example, to such vague standards as "readily achievable," "undue hardship," and "reasonable accommodation."

Since passage of the act almost a year

Here are key details of the new law covering disabled customers and workers—a measure that could profoundly alter your firm's ways of doing business.

ago, federal enforcement agencies involved have drafted detailed regulations in two major areas. The Department of Justice has prepared rules on public access, and the Equal Employment Opportunity Commission (EEOC) has dealt with employment.

Companies that will have to implement the law and the consultants who will advise them had hoped the regulations would provide specific guidance on the many unclear sections of the law.

But although compliance will profoundly alter the way a firm does business, says Nancy Fulco, human-resources attorney for the U.S. Chamber of Commerce, the new regulations give "very little guidance" on how to comply. Fulco says businesses expected the regulations to clear up questions left by the law itself. However, the regulations "don't tell us anything we don't already know," she says.

What is known is coming as a shock to many business people who had not been aware of the sweeping nature of this new law. Here are basic details and key provisions that companies should be aware of as they prepare for implementation of the disabilities law:

Effective Dates

The law's provisions take effect at various times over the coming three years:

Jan. 26, 1992: Regulations on access to existing private businesses that serve the public take effect, with these exceptions: The law becomes effective on July 26, 1992, for companies that have 25 or fewer workers and gross annual receipts of \$1 million or less, and it takes effect Jan. 26, 1993, for companies with 10 or fewer employees and with gross annual receipts not exceeding \$500,000.

July 26, 1992: Effective date for equal-employment rules for employers with 25 or more employees every day for at least 20 weeks per year.

Jan. 26, 1993: Newly built

PHOTO: © MATTHEW MCKAY—FOCUS, INC.



Multilevel shopping malls must have elevators for the disabled.

REGULATION

facilities with first occupancy from this date must be accessible to both categories covered by the law—members of the public and covered employees.

July 26, 1994: Equal-employment rules take effect for employers with 15 or more employees every day for at least 20 weeks per year.

Controversial Edicts

Although the law remains to be implemented, many employers are concerned that enforcement and compliance could lead to protracted litigation. In such cases, companies could be ordered to construct facilities, remove alleged barriers, hire personnel, or take other steps to comply with the law. They also may have to pay plaintiffs' attorneys' fees.

Business apprehension about enforcement of the law is based on such requirements as the one that employers make "reasonable accommodation" to hire qualified disabled job candidates, if such an adjustment causes no "undue hardship" to the company. The regulations, like the law itself, contain no solid benchmark for determining what is reasonable or undue. Says David Copus, a Washington, D.C., employment attorney: "Instead of guidance, the EEOC has given us the case-by-case method," and he suggests that many companies cited for discrimination can expect to make a costly defense in court of their actions.

The public-access rules require that



PHOTO: © CURSTON MEDICAL STOCK PHOTO, INC.

Access for disabled patrons is the rule for new banking machines.

firms remove barriers to the disabled wherever their removal is "readily achievable"—defined as not causing "significant loss of profit" or reduction of efficiency. Zachary Fasman, a Washington attorney specializing in labor and equal-employment matters and an author of the U.S. Chamber publication on the disabilities law, says the wording of this provision is one of the many reasons

why businesses will have to "wait for the courts to make up their minds as to how the law will work."

Paul Hearne, president of the Dole Foundation for Employment of People with Disabilities, in Washington, disagrees with forecasts of compliance problems. Firms creating access for disabled employees and customers will themselves benefit, he says. There are economies of scale involved, Hearne argues, and accommodations not only will help one worker but also will give access to "an entire reliable work force" of disabled individuals who will "enter the marketplace both as employees and as consumers." Hearne also says the long lead times before the law's effective dates will help firms comply.

A Definition Of "Disabled"

The law bars discrimination against anybody with a physical or mental impairment or with a record of impairment. Also protected are people who are "regarded" as having a disability—for example, a victim of disfiguring burns who is shunned as impaired, or someone who cares for a disabled person.

Employment Protections

The equal-employment protections of the disabilities law cover all aspects of the work relationship, including hiring, firing, training, benefits, and promotion.

Under the law, a disabled candidate is considered qualified to be hired or promoted if he or she can carry out the "essential functions" of the job (with or without reasonable accommodation). An employer may have to offer training, or such aids as readers or interpreters, if these steps would enhance employment opportunities and not cause undue hardship to the company. To determine potential hardship because of a needed accommodation, the law's rules consider the nature of the accommodation itself, the size of the firm, and its financial condition.

Larry Burd says Kreonite has made a variety of physical changes in its workplace to help employees with disabilities. Workers with poor vision use high-intensity lights and magnified computer screens, for example, to design circuitboards. Burd says some power tools are marked in Braille, as is the company's time clock. "Our manufacturing is all accessible," says Burd.

Accommodations for disabled employees may be less noticeable, however. DH Print, a Riverton, Wyo., manufacturer of dot-matrix printers, has modified work schedules and job functions for some employees, says Joe Dennis, general manager. The affected employees include a supervisor confined to a wheelchair, a blind assembly worker, and eight mentally retarded contract

For Information And Assistance

These resources can help small-business owners find ways to make their companies more accessible to the disabled:

What Business Must Know about the Americans with Disabilities Act, a U.S. Chamber of Commerce publication covering all aspects of the law. It is available from Publications Fulfillment, U.S. Chamber of Commerce, 1615 H Street, N.W., Washington, D.C. 20062. Credit-card orders can be phoned to 1-800-638-7582 (in Maryland: 1-800-352-1450). Specify Publication No. 0230. The price is \$20 per copy for U.S. Chamber members, \$33 for nonmembers. There is a 15-percent discount on orders of 24 or more copies.

The President's Committee on Employment of People with Disabilities, a federal office, offers technical help and management consulting on the subject and runs a speakers' bureau. Write to the committee at Suite 636, 1111 20th

St., N.W., Washington, D.C. 20036-3470; or call (202) 653-5044.

Job Accommodation Network (JAN), a branch of the President's Committee on Employment of People with Disabilities, offers free consulting for employers who face specific challenges in accommodating disabled individuals in the workplace. Technical experts counsel small firms. Call JAN's hot line at 1-800-JAN-7234. In West Virginia, call 1-800-526-4698 or (304) 293-7186.

The Architectural and Transportation Barriers Compliance Board offers copies of the access standards it developed for the law. Call 1-800-USA-ABLE.

The Office on the Americans with Disabilities Act, which is part of the U.S. Department of Justice, operates an information line concerning the disabilities law. Call (202) 514-0301.

workers who test the firm's products. "You mostly have to use common sense about the access problem," Dennis says, "and make sure the job fits the person's abilities."

In matching candidates to jobs, however, employers may not inquire about candidates' disabilities. Employers may only list the essential tasks of a job and ask whether the person can perform them.

What if a candidate who is denied a job argues that all the work tasks specified are not essential? To defend the essential nature of a job task, the employer may show a written job description prepared before the job was advertised or announced, or show that only a limited number of employees can do the task. The employer also can demonstrate that the tasks are essential by showing that the job exists only for the sake of the task.

Employers may not use pre-employment medical examinations to screen disabled candidates before making a job offer. After offering a job, an employer may require a job-related medical exam if such exams are given to all candidates for the position.

Drug testing is allowed. Current use of illegal drugs is not protected as a disability by the law, but drug users and

alcoholics who have been rehabilitated are covered.

Under the disabilities law, an employer does not have to hire a candidate posing a "direct threat"—that is, a high probability of substantial harm—to co-workers' health or safety. But the employer must determine whether a reasonable accommodation would mitigate or eliminate the possibility of harm.

Public Access

Rules covering equal access to public accommodations fall into two classes. One consists of requirements for existing businesses, which take effect next year; the other encompasses even stricter requirements for new businesses in facilities available for occupancy from Jan. 26, 1993.

The access rules cover all businesses that serve the public, except private clubs, religious institutions, residential facilities covered by fair-housing laws, and owner-occupied inns with fewer than six rooms for rent.

The rules are drawn to ensure that disabled patrons have the same access as other customers to a firm's goods or services. In this vein, companies may not exclude or segregate people with disabilities, by company policy or otherwise. It would be illegal, for instance, to

require a blind person to produce a driver's license for identification when cashing a check. The business would have to request another form of identification.

Firms must offer such auxiliary aids as sign-language interpreters or readers when such assistance would help provide service to customers with vision or hearing impairments.

If providing such aids is not feasible, a business must offer alternatives. For instance, a restaurant could provide Braille menus, or, if that is not possible, its staff could inform blind customers that a menu will be read to them. Likewise, if barrier removal is not readily achievable, the business must offer alternative service, such as curbside or home delivery, or help reaching items on shelves. Businesses may not charge extra money for such alternatives.

Nor may a company make any change to its premises that would make it less accessible to the disabled. If renovations or alterations are made to a building, they must meet the strict standards of access for new construction. Less strict rules apply where access requirements would threaten the character of a designated historic property.

Alterations to so-called "primary function" areas of a business, such as a bank's lobby, must include an accessible

ATTRACT A LITTLE ATTENTION

PROFESSIONAL DISPLAYS



Just like the Gumball machine . . . every penny you put in . . . you get your money's worth!!!

- Unconditional lifetime warranty
- Sets up in minutes
- Ships Via Airlines, UPS, Fed-Ex
- Complete Graphic Capabilities
- World Wide Distribution

For: Trade Shows, Seminars, Media, Recruiting & Lobby Displays.

Available in: Table Top, Full Size and Modular Pop-Up Displays.

All to fit your growing needs!!

Feel confident that your investment will help your company profit!!

NB-6-91

NAME _____

COMPANY _____

ADDRESS _____

CITY _____

STATE _____

ZIP _____

PHONE _____

**PROFESSIONAL
DISPLAYS, INC.**

Take a PRO to your next show.

746 Arrowgrand Circle, Covina, CA 91722

For free information, call today or complete coupon and mail.

Circle No. 23 on Reader Service Card.

U.S.A. 800-222-6838

Fax # 818-966-4067

In Canada (416) 291-2932

REGULATION

path of travel. Any phones, restrooms, or drinking fountains in these areas, if altered, must be accessible if the cost of making specific changes is not "disproportionate" to the whole cost of the alteration. However, the Department of Justice, in its proposed regulations, has not settled on a formula for determining "disproportionate" costs of providing access to altered areas. The department's final rules could cap the cost of an accessible amenity at 10 percent, 20 percent,

shopping centers, malls, and professional offices of health-care providers must have elevators as well.

In retail and grocery stores, checkout aisles must be wide enough for wheelchairs—36 inches at least.

Restaurants must have 5 percent of fixed tables accessible to people in wheelchairs.

In newly built restaurants, sunken or raised dining areas must be accessible. In renovated restaurants, raised dining

er machines must meet the same standards.

Theaters and other places of assembly for 50 or more people must have at least three wheelchair spaces "dispersed throughout" the seating area. The formula diminishes as the number of seats increases. A 150-seat theater would need five spaces for wheelchairs.

Paul Roth, of Roth Theatres in Silver Spring, Md., who owns more than 40 theaters in Maryland, North Carolina, and South Carolina, contends two wheelchair spaces are sufficient in a 150-seat auditorium. He says they should be near the back, on a flat surface, near an emergency exit. His concern is that "five or more" seats and the revenue they bring are lost for each wheelchair space created in an auditorium.

Places of assembly such as movie theaters and meeting halls also must have at least two fixed listening devices for people with hearing impairments. Roth says these devices are "rarely if ever used" and that the regulations should require portable listening devices that could be moved from one auditorium to another.

Tax Deductions

Companies that spend money on access for the disabled can take a deduction of up to \$15,000 per year, under changes made to the Internal Revenue Code in 1990. Also, small firms that spend between \$250 and \$10,250 on access may claim a tax credit equal to as much as 50 percent of the cost; the credit is available only to firms with gross receipts under \$1 million or with fewer than 30 full-time employees.

In addition to exploring the legal maze of compliance with the new law, many small-business people will be conferring with peers who have experience in providing accommodations for the disabled.

Kreonite's Larry Burd is among those with that experience. He talks to a lot of small-business owners who fear the impact of the Americans with Disabilities Act on their firms. He urges patience. No two challenges are alike, Burd says, and no two solutions are the same. Burd sounds almost reassuring when he says, "We don't have all the answers, but you have to start somewhere."

Whatever advice small-business people receive, the common denominator of compliance with the new law is summed up in the U.S. Chamber's guide:

"If you are [a company] of any size, the Americans with Disabilities Act is bound to have a profound effect on the way you do business."



PHOTO: CLARRY FLEMING

Despite impaired vision and hearing, Karen Neely of Kreonite handles computer-assembly tasks that two workers used to do, says supervisor Larry Burd.

or 30 percent of the entire alteration expense.

Required Fixtures

In all new construction, and where feasible in existing facilities, the new law requires the following features for access by disabled customers:

One designated parking space must be provided for every 25 or fewer spaces in a parking area. A diminishing ratio of accessible spaces is required in parking areas beyond 100 spaces. Hotels, motels, and inns must provide an accessible parking space for each guest room required to be accessible. (Generally, 5 percent of rooms must be accessible to wheelchairs, and another 5 percent must be equipped with devices such as visual alarms for hearing-impaired guests.) These lodging places also must provide some accessible parking for disabled visitors.

Access ramps must be in place wherever the floor level changes more than one-half inch. Elevators are required in buildings of three stories or more and in those that have more than 3,000 square feet of floor space per story. Multilevel

areas need not be accessible if the same character of dining (for example, service and decor) is available in some accessible area used by all patrons and not just by the disabled.

On floors of accessible routes, carpets can be no higher than one-half inch in pile. Floors of accessible routes must be slip-resistant, though no measurement exists for slip resistance.

Toilet facilities, water fountains, and telephones, if provided, must be accessible in both new construction and alterations. In alterations where access to all toilets is not possible, one unisex toilet for the disabled is allowed instead. Mirrors, urinals, and dispensers must conform to certain height standards.

Public phones on any floor must be accessible to people in wheelchairs. Twenty-five percent of other public phones must have volume controls; when public phones are in clusters of six or more, at least one must have a telecommunicating device for the deaf.

Self-service shelves, counters, and bars must meet rigid standards of access by people in wheelchairs and the visually impaired, and all new automated-tell-

To order reprints of this article, see Page 77.

Essentially, it makes buying any other copier an unnecessary risk.

XEROX Total Satisfaction Guarantee

If you are not satisfied with your Xerox equipment, at your request, Xerox will replace it without charge to you with an identical model or a machine with comparable features and capabilities.

The term of the Xerox Total Satisfaction Guarantee is three years from equipment delivery. If the newly delivered equipment is financed by Xerox for more than 3 years, the Guarantee will apply during the entire term of your Xerox financing.

This Xerox Total Satisfaction Guarantee applies to Xerox equipment acquired by you from Xerox (including Sales Agents and participating Dealers and Retailers) and continuously maintained by Xerox or its authorized representatives under our Manufacturer's Warranty or a Service Contract.

You're looking at the most extraordinary guarantee ever put together by a copier company. In a nutshell, it says that if you're not satisfied during the first three years, we'll replace the machine. No questions asked.

Obviously, we wouldn't make this promise unless we made copiers that could live up to it.

For durability, reliability and quality, nothing compares to a small Xerox. That's why we have the highest brand loyalty rating in the business. It's our customers that keep coming back. Not our copiers.

Above all, when you compare full cost of ownership, Xerox copiers can actually cost less than the competition.

So as you can see, there's really no risk in buying a small copier anymore. Unless, of course, you buy it from someone else.

For more information, call 1-800-TEAM XRX, ext. 625A.



XEROX
The Document Company



PERSONNEL

Employees For Rent

By Jane Easter Bahls

An increasing number of businesses are enjoying the benefits of motivated, productive employees without the headaches of personnel administration. These businesses are staffing their companies with workers from employee-leasing companies.

Unlike temporary agencies, which generally place people in short-term jobs at various companies, employee-leasing companies typically provide permanent staffs at client companies, issue the workers' paychecks, take care of personnel matters, ensure compliance with workplace regulations, and provide various employee benefits.

In many cases, small businesses have turned a work force assembled through traditional hiring methods over to a leasing company and then have signed a contract to lease back the same workers. Generally under such arrangements, a firm's total expenses for payroll, taxes, personnel administration, and benefits remain roughly the same, but its paperwork burdens are greatly reduced, and its workers' benefits are greatly improved.

The leasing company is often the employer of record, although sometimes the client is the employer, with the leasing company assuming responsibility for specific personnel matters and administrative paperwork.

According to the National Staff Leasing Association, a trade group in Washington, D.C., about 1 million people are now working at large and small businesses through leasing companies.

In Livonia, Mich., B&G Glass, a manufacturer of insulated glass, began leasing employees a year ago. In effect, B&G discharged its 50 employees—everyone but the owners—on March 31, 1990. The next workday all of them returned to their jobs at B&G as employees of United States Staffing, an employee-leasing company in Southfield, Mich.

United States Staffing also assumed responsibility for the bulk of B&G's personnel paperwork, which had been handled by the company's controller, Glenn Hoskins.

"We saw benefits both for the compa-



The leased employees at B&G Glass include Controller Glenn Hoskins, second from left; Kim Urbauer of the National Staff Network is at far right.

ny and for the people who work for us," says Hoskins, who is now an employee of United States Staffing. "As a small employer, our insurance and workers' compensation costs were skyrocketing." With employee leasing, he says, B&G pays United States Staffing slightly less than it had been paying for payroll, workers' compensation, taxes, insurance, and other personnel expenses. The leasing company is much larger than B&G Glass, Hoskins notes, and thus it can achieve economies of scale.

Hoskins also finds employee leasing a valuable time saver. He says leasing "has taken away a lot of the headaches and made life easier for me, so I can concentrate on the company's finances."

Hoskins reports that employees were a bit confused for a few weeks after the change, but then morale and productivity improved, and turnover decreased. He says he thinks the transition went smoothly because as a result of the new arrangement, employees gained access to better health benefits, dental insurance, a 401(k) retirement plan, and a "cafeteria" plan that lets employees tailor their benefits to their needs. Each quarter, United States Staffing commissions an accounting firm to certify that

Less paperwork and higher worker benefits are among the pluses that can be found in leasing employees.

all premiums and payroll taxes have been paid properly.

In many instances, leasing companies also hire and, when necessary, discipline or dismiss employees. After the client describes the type of employee needed, the leasing company screens applicants; if a suitable candidate is found, that person is sent to the firm on approval. Most leasing companies have attorneys on staff to handle legal problems that may arise involving personnel it has supplied to client firms.

Although small companies generally use employee leasing to reduce paperwork and enhance workers' benefits, large companies often use such arrangements to reduce their work forces, says Maria Shoonover, senior subcontract administrator at Lawrence Livermore National Laboratory, in Livermore, Calif. With leasing companies as employers, she says, "there are fewer legal entanglements, so it's easier to let [workers] go." Lawrence Livermore, a large federal research-and-development facility, leases engineers and other specialized employees for the duration of projects.

"The biggest obstacle to selling employee leasing is it sounds too good to be true," says James Borgelt of AWF, an

Free-lance writer Jane Easter Bahls of Missoula, Mont., writes on business and legal topics.

employee-leasing company in Dallas. "It's a win-win situation for everyone if it's done right."

The National Staff Leasing Association (NSLA) requires its members to submit to quarterly independent audits to confirm that all payroll taxes have been deposited on time, that all benefit obligations have been funded properly, and that workers' compensation and other types of required insurance are in force.

The NSLA, which has 170 member companies covering more than 250,000 employees, has terminated dozens of members for not meeting the association's reporting requirements.

Despite its many success stories, employee leasing is still an industry in formation, and it is experiencing some growing pains. Leaders of the employee-leasing industry are vigorously debating among themselves the precise relationship between leasing companies and their clients, and battles are brewing between the employee-leasing industry and the insurance industry over workers' compensation rates.

Some leasing companies are under attack by the insurance industry for offering their clients lower workers' compensation rates than the clients' accident records would justify. In such instances, the leasing company uses its new, flawless experience rating rather than the client firm's rating.

Maureen Ramert, director of national affairs for the National Council on Compensation Insurance (NCCI), in New York City, says some leasing companies also misclassify workers—putting truck drivers in the clerical-workers category, for example—to obtain lower premiums.

The insurance industry is pressing state governments for legislation to deal with such situations.

One option under discussion is to require leasing companies to establish a separate workers' compensation account for each client so that the client company's past experience would figure into the rating formula.

The NCCI proposed a rule that would prohibit leasing companies from carrying workers' compensation for their clients and would require the companies' client firms to do so.

"The National Staff Leasing Association is diametrically opposed to any scheme to lower workers' compensation rates," says L. Morgan Hall III, president of the association.

Hall, who also is a leasing executive in Augusta, Ga., lambastes fly-by-night leasing companies that attach favorable experience ratings to client firms with poor safety records and then close three years later, before rate increases catch



PHOTO: ©WILLIAM OCKAY

Working at B&G Glass but on a different company's payroll are leased employees Sam Stratford and Mike Lockwood.

up with them. Under the workers' compensation system, rates are adjusted every three years. Thus an accident's effect on rates may not be felt for up to that length of time.

"Legitimate leasing companies attempt to improve safety, which will eventually result in lower rates," Hall says.

To reduce the potential for cheating by leasing companies, the NSLA has proposed a rule that leasing companies report each client under the client's existing experience modifier for the first three years. If the client did not improve its safety record in that length of time, Hall says, the leasing company would probably terminate it rather than risk damaging its own record and in-

creasing rates for other clients. A task force of the National Association of Insurance Commissioners has voted to recommend the NSLA proposal to the association.

Another area of concern goes to the heart of employee leasing—that is, the legal relationship between company and client. Is the leasing company truly the sole legal employer of those who work for the client, or is it a co-employer? Can the client insulate itself from labor and employment laws? Who is responsible if an employee files a discrimination or wrongful-termination suit?

Marvin Goldstein, a lawyer with Grotta, Glassman & Hoffman, in Rose-

Tips For Choosing A Leasing Company

Before you sign a contract with a leasing company to supply workers for your firm, experts say, you should consider the following questions:

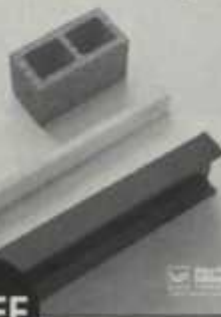
- Does the company belong to an organization that certifies its members are financially stable and comply with government regulations?
- Will the services offered meet your firm's needs?
- Can the company provide bank references attesting to its financial stability?
- Have you reviewed references from clients on the quality of the leasing company's service?

- Is it financially independent from its health-care carrier?
- Are the fees guaranteed for at least a year?
- Can you cancel within 30 days if the arrangement doesn't work out?
- Can the company furnish an opinion letter from a law firm stating that the company is in compliance with applicable labor and pension laws?
- Can the company certify that it conforms to Internal Revenue Service and other federal rules and to state regulations? Will it supply regular audited statements that it has made all required filings on time?

STOP

Before you build, read this.

Building Methods Compared



FREE

Be sure you consider all the options and avoid potential costly pitfalls when you build your next business facility. VP will send you this valuable and comprehensive planning guide, "Building Methods Compared," including a special planning worksheet, free. To receive yours, just fill out the coupon below or call toll-free **1-800-238-3246**.



**Varco-Pruden
Buildings**

A United Dominion Company

Built On Superior Service

Free! "Building Methods Compared" including the planning worksheet. Mail to: Building Methods Response Center 5100 Poplar Ave./Suite 1400 Memphis, TN 38137

Company _____

Your Name _____

Title _____

Address _____

City _____

County _____ State _____

Zip _____ Phone () _____

(3) NB-06/91

Circle No. 9 on Reader Service Card.

PERSONNEL

land, N.J., contends that the leasing company is essentially a co-employer, sharing legal responsibility but not assuming it completely. Goldstein, who represents several companies that lease employees, says, "Our feeling is that when companies use a leasing company, they're not ridding themselves of legal responsibility—they're complicating it."

Among the questions that Goldstein raises are these:

■ Who is responsible for civil-rights, wrongful-discharge, and other labor-related lawsuits?

■ If the leasing company is the official employer, what is the relationship between the client and the union?

■ If the client is a government contractor, is the leasing company responsible for putting all of its employees under affirmative-action and drug-free-workplace programs?

■ If the client turns responsibility for workers' compensation over to the leasing company, is the client vulnerable to lawsuits for negligence when an employee is injured on the job?

These questions remain to be worked out in the courts, Goldstein says.

"I think the trend will be toward co-employment," says Larry Jones, president of Action Staffing, an employee-leasing company in Tampa, Fla. "If the leasing company goes under, who does the employee go to for back payment?" He notes that the industry initially considered the leasing company the sole employer for purposes of taxation, workers' compensation, and legal responsibility, but he says the relationship is shifting.

Marvin Selter, chairman of National Staff Network, a Van Nuys, Calif.-based national network of leasing companies, doesn't see it that way. His network of eight companies resigned from the NSLA two years ago over the issue. "In true employee leasing, the leasing company is the sole employer with total liability," he says.

A leasing company that contends it should be viewed as the sole employer can use that status as a sales tool, demonstrating to clients that they are spared all employment responsibilities when they lease employees from that company. In addition, the leasing company becomes the employer of record for tax purposes.

If an employment matter lands in court, Selter says, the leasing company's first motions should be directed at proving it is the sole employer and having the client removed from the case.

Selter points to a recent employment-discrimination case in Michigan in which the employee sued both the National Staff Network company, which employed him, and the client over alleged discrimination. "We were successful in

getting the client dropped from the suit," he says.

Selter also refers to the ruling he received from the Internal Revenue Service stating that the leasing company is the employer for tax purposes, and he cites a series of workers' compensation adjudications to the same effect.

Clients should be told what they're getting when they lease employees, Selter says. Some leasing companies become the sole employer, responsible for hiring and firing, payroll taxes, benefits, workers' compensation, and legal liability.

Other leasing companies, he explains, might prefer to specialize, administering only benefits, for example. There's a place in the work force for different types of leasing, he says. "My concern is that you as a client know the difference."

A newly formed Institute for the Study of Alternative Staffing Strategies, at Oklahoma City University, may provide some guidance in this area. C.J. Roberts, executive director, says the institute will research these questions and consult with government regulators on areas of uncertainty. Over the next three years, according to the institute's plans, it will also develop criteria and standards for certification of staffing companies.

Because the employee-leasing industry is taking shape and because industry standards are still voluntary, lawyer Goldstein urges business people who are considering leasing to be cautious. (See the checklist on Page 37.)

Look carefully into leasing companies' reputations, he says. Both the National Staff Leasing Association and the National Staff Network hold their members to strict ethical standards. Be sure the company is financially stable and meets its obligations on time.

Ask what leasing companies are offering and what their obligations are, and make sure these comply with your needs and expectations. Even under the best circumstances, Goldstein says, employee leasing could have unexpected implications. For example, he says, if your workers are officially employees of a much larger company, they would probably be eligible for the family leave mandated in some states for companies above a certain size. Check with a lawyer about your legal responsibilities before signing a contract.

"This is not a simple area," Goldstein says. "Open your eyes. Look at the advantages, but don't sweep these problems under the rug."

To order reprints of this article, see Page 77.

POLL RESULTS

Heavy Votes Against Forced Health Care

Two recent surveys spotlight the continuing and overwhelming business opposition to legislation that would force employers to choose between providing health insurance for their workers and paying a tax that would finance such coverage.

Delegates to the annual meeting of the U.S. Chamber of Commerce registered 79 percent opposition. Nearly 75 percent of the respondents to a "Where I Stand" poll in *Nation's Business* said such a federal mandate on medical coverage would hurt their businesses by imposing excessive costs.

Backers of the plan for mandated health insurance argue that some form of compulsion is needed to extend adequate coverage to the 35 million Americans who now lack it. Opponents of a federal regulatory approach say the answer is to make health insurance more affordable for smaller companies that are financially unable to provide coverage in the face of runaway medical inflation.

Only 10 percent of those polled at the Chamber meeting expressed support for mandated health insurance, while only 7 percent of those replying to the *Nation's Business* poll said the coverage would help their firms by improving morale and productivity.

The poll of delegates to the annual meeting covered a broad array of business topics, while the monthly "Where I Stand" poll focused on the question of mandated benefits.

Here are additional results from the annual-meeting poll (the "no opinion" category is omitted):

Credit: Only 16 percent thought that business loans would be more available this year compared with last, while 39 percent thought they would be less available. Forty percent expected no change.

Price Increases: Fifty-four percent said they expect no change in the rate of price increases generally, while 32 percent said they see prices going up more slowly, and 12 percent said they expect prices to move up more quickly.

Quota Bill: Just over 90 percent of the delegates voting expressed opposition to a pending bill that its advocates

say would curb job discrimination and its opponents see as a method of imposing hiring quotas. Only 2 percent favored the measure.

Capital Gains: Seventy-eight percent expressed support for cutting the capital-gains tax rate below the level of the rate on current income; 10.4 percent expressed opposition to such a reduction.

Striker Replacement: Nearly 90 percent opposed a pending bill that would prohibit employers from hiring permanent replacements for employees who strike; 5.6 percent supported the bill.

Congressional Terms: Just over 80 percent favored limiting the number of terms that members of Congress can serve.

For the House, 48 percent of the delegates would cap service at four two-year terms; 22 percent would allow six terms; 3 percent favored 8 terms; and 7 percent expressed support for other restrictions on service.

For the Senate, 59 percent favored two terms totaling 12 years; 12 percent said one term; 9 percent supported three terms; and 4 percent expressed support for other limits.

Fiscal Policy: Support for a constitutional amendment requiring a balanced federal budget was registered by 82 percent of the respondents, and 90 percent favored line-item veto authority for the president.

Such authority would enable the president to veto specific items in appropriations bills, which now must be accepted or rejected in their entirety.

In the "Where I Stand" poll on mandated benefits, nearly 70 percent said that congressional moves in that direction constituted a worrisome trend toward increased regulation.

More than 80 percent said that Congress should let employers and employees develop mutually satisfactory arrangements on benefits.

In responses on specific benefits proposals now pending in Congress, nearly 90 percent said that legislation requiring job-protected leave for employees would be an unreasonable government intrusion into management rights.



Seek and We shall Find.

For highly qualified permanent office support personnel, look no further than OfficeMates®. We're America's leading office support specialists.

All OM5 candidates have been thoroughly screened, to make sure they meet our exacting standards. And only those who meet these requirements qualify to receive the "OM5" designation.

But we know it takes much more than superior skills and a proven track record to assure a successful employee-employer relationship. So OM5 goes beyond skill and experience. We make sure our recommended candidate's personality and career objectives match your company's exacting requirements and opportunities.

Thousands of American companies, who have employed OM5 candidates, testify to this fact... we succeed with our responsibilities. We'll succeed for you, too.



OfficeMates®
America's Office Staffing Specialists

Look in the White Pages for the OM5 office nearest you.

THE NEW BUICK EITHER THE COMPETITION OR WE'RE CHARG



*Based on EPA-estimated hwy. mpg.

25 Roadmaster/23 Town Car, multiplied by the fuel tank capacity.

†Manufacturer's suggested retail price including dealer prep and destination charge. Tax, license and options additional. Levels of equipment vary.

Let's get it together...buckle up.



©1991 GM Corp. All rights reserved. Roadmaster is a trademark of GM Corp.

ROADMASTER. IS CHARGING TOO MUCH, ING TOO LITTLE.

	'92 Buick Roadmaster Sedan	'91 Lincoln Town Car Executive Series
Engine	5.7-litre V8	4.6-litre V8
Anti-lock braking system	Standard	Standard
Driver-side air bag	Standard	Standard
Drivetrain	Rear-wheel drive	Rear-wheel drive
EPA-est. hwy. range*	575 miles	460 miles
Seating capacity	6 passengers	6 passengers
M.S.R.P.†	\$21,445	\$30,038



The new Buick Roadmaster is everything you'd expect from a luxury car. Its standard features include full-size comfort and big V8 power. The security of anti-lock brakes and a driver-side air bag is standard, too. And of course, it's built to the exacting standards of Buick quality. So how come the new Roadmaster costs thousands less than the Lincoln Town Car? Simply because at Buick, we still make *value* a standard feature of every car we sell. For more on what is perhaps the best value in American luxury sedans today, call 1-800-238-2929.



BUICK®

The New Symbol For Quality
In America.

Circle No. 2 on Reader Service Card.

Small-Business Computing

Mastering fundamentals; doing Windows; attacking viruses; hearing voices.

INSTRUCTION

Pretty Cards, Pretty Easy To Use

No matter how thorough a manual is, nothing beats a "cheat sheet"—that absolutely basic explanation of how you do simple tasks from scratch. Now a company called First Time, in Pittsburgh, has created a series of cheat sheets on colorful cards for DOS, WordPerfect, and Lotus 1-2-3.

ColorCards, says founder Rich



How easy can it get? ColorCards can make popular programs a snap.

Young, use scientific teaching techniques, and they are appropriate for first-time or occasional users. The Lotus set, for example, has five cards: how to start your computer, how to create a spreadsheet for your budget, how to graph and print your work, how to cre-

ate a spreadsheet for your checkbook, and how to retrieve and copy your work.

Regular computer users can get impatient with new people, especially those who are insecure. ColorCards assume nothing, and that is a real plus. The first set of instructions is "How to turn on your computer." For many people, this is not so simple a matter. The cards are mounted on stiff backings, and they come with a stand. Each set is \$21.95 from First Time, (412) 921-9927.

—Ripley Hotch

Much-Needed Help In Doing Windows

Close to 3 million users have Microsoft Corp.'s Windows software loaded on their hard disks now, but we're willing to bet only a fraction have used Windows more than a handful of times. Why? Though Microsoft touts this user interface as powerful and easy to install and use, easy it is not.

However, if your choice of applications software (spreadsheets, databases, word processors, etc.) leads you to use Windows, you and your employees could benefit from buying or renting the **Windows Learning System Set**, two instructional tapes with accompanying workbooks from MicroVideo Learning Systems (1-800-231-4021 or 212-255-3108). The first tape-and-book combination covers everything from starting

Windows and navigating the program with a mouse to using Windows' accessories such as its calculator, calendar, and card file; the second covers more arcane topics, including customizing the Windows "desktop."

The tapes are precise and easy to follow. So are the workbooks, which contain exercises and quizzes. Each tape runs just under 2-1/2 hours, but count on devoting a full workday to each.

Now, here's the downside of video



MicroVideo's learning system for mastering Windows.

learning: The Windows Learning System Set costs \$995.

If that price makes the set too expensive for your firm—or if your turnover rate is low for computer users—you could consider renting the set for one month for \$198.

PRINTERS

Apple's New Strategy In A New Market

Last fall, Apple Computer surprised its critics by bringing out a revamped line of Macintosh computers that were excellent machines at good prices. Apple is now extending that strategy to printers.

The **StyleWriter** is an inkjet printer with a sheet feeder in an attractive, small package at a suggested retail price of \$599. It is capable of 360 dots-per-inch printing quality, and it includes four font families. Clearly the StyleWriter is aimed at the market now occupied by Canon's BJ10e and by Hewlett-Packard's InkJet 500. At StyleWriter's price, it should prove popular with owners of the new Macintosh machines.

In the personal laser printer market, Apple is introducing the **Personal La-**

serWriter LS, at a suggested retail price of \$1,299. This gives the Apple market an equivalent to the lower end HP LaserJet. The Personal LaserWriter LS prints at 300 dots per inch at up to four pages-per-minute.



Apple's lower-cost printers: Personal LaserWriter LS and StyleWriter.

DATABASES

New Information Sources

Westlaw, the popular legal database from West Publishing Co., is adding **Insurlaw**, the full text of the insurance statutes and regulations from all 50 states and U.S. territories. Insurlaw will have a standardized indexing vocabulary and cross-referencing. Westlaw users will get 30 days of Insurlaw without database charges. For information, call 1-800-WESTLAW or 1-800-328-0109.

Microsoft is also getting into the on-line database business with its **Small Business Center** on the **America On-line** electronic service. It will offer access to information and consulting services, and data on running a small business. It works on both Macintosh and IBM-compatible computers. For more information: 1-800-227-6364.



The answer to all your correspondence needs.

Do you find yourself struggling to express just the "right" idea every time you write a letter? Do you spend valuable time revising, rewriting and retyping your letters? If so, LetterPower® can reduce the frustration and time spent on this frequently difficult task.

LetterPower®—a complete hard-bound book and computer disk system contains over 400 professionally written letters, memos, press releases, announcements, proposals and other documents written in today's conversational style and covering virtually every business situation. The disk is compatible with any word processing program. And the disk is not copy-protected.

Just select the letter you want from the book, call it up on your word processor and customize it to your specific needs. Each letter in the book is numbered so you can find it on the disk in seconds. Customizing is easy because comments at the bottom of each letter tell you how to change the text to fit your needs.

So save yourself numerous hassles and wasted time, use LetterPower® and make letter writing easier than you ever imagined!

Covers all areas of business:

- Sales and Marketing
- Advertising & Public Relations
- Customer Relations
- Credit and Collections
- Handling Customer Complaints
- Job Search
- Personnel Relations
- Internal Communications
- Managing Your Business
- Community Service
- Personal Letters
- Dealing with Suppliers



Excerpt from the *New York Times*

"Handsome and easy to use combination of book and disk . . . Even a glib executive might need help writing a Request for Verification of E.E.O.C. Compliance, Work Agreement with Freelancer, Apology for Employee Rudeness, Warning about Excessive Lateness, Inquiry to Venture Capital Firm or Announcement of Bad News. They are all in LetterPower®."

ORDER TODAY, CALL TOLL FREE 1-800-255-6060

YES, rush me the LetterPower® book and disk!
Please indicate appropriate computer disk software:

- _____ IBM 5¼" disk + IBM 3½" disk
_____ Macintosh (all)

I've enclosed \$105.95 (\$99.95 plus \$6.00 for shipping).
California and D.C. residents add sales tax.

Charge to my: _____ Visa _____ MasterCard

Card Number: _____ Exp. Date: _____

Signature: _____

Name: _____

Company: _____

Street: _____

City: _____ State: _____ Zip: _____

NO POST OFFICE BOXES—UPS SHIPMENTS ONLY

Nation's Business, Circulation Department
1615 H Street, N.W., Washington, D.C. 20062

NB0691

Solutions For Your Accounting Software Needs



Are you overwhelmed by the selection of accounting software packages? Help is a quick phone call away. Solutions, Inc. can match your company's accounting needs with over 70 of the best DOS, Macintosh or Unix programs.

For only \$150, Nation's Business readers can now use the Solutions telephone consulting service. Call 1-800-732-1218 and find the solution to your accounting software needs. This telephone interview will allow Solutions to find the system that fits your firm.

You will then receive a summary sheet with detailed reports of the six products that best match your needs, plus 125 pages of selection and installation suggestions. In addition, Solutions will ask the six vendors to send you marketing information on their products.

Call 1-800-732-1218 today!

A credit card number is necessary for service.
Nation's Business is not liable for selected products.

SECURITY

Viruses—Cures For The Uncommon Code

Computer "viruses" can wreak havoc with hard drives and networks. The best way to deal with them is prevention: Don't use pirated software (like drugs, it's illegal, unethical, and, now, dangerous), don't allow employees to bring in disks from home if their systems have not been checked, and don't download programs from fly-by-night bulletin boards. In other words, don't take candy from strangers.

How serious is the problem? Certus International Corp. of Cleveland commissioned a study that found 26 percent of large companies' PCs are hit by some kind of virus each month.

Play it safe. If you suspect you have a

virus in your machines, you can get help from some inexpensive programs. Central Point Software, which makes the popular PC Tools Deluxe utilities set, has a program called **Anti-Virus**. It detects and removes more than 400 known viruses on individual PCs and network drives. Central Point distributes updates of newly detected viruses. List price: \$129.

Parsons Technology, the mail-order software publisher, has **Virucide**, which detects and removes 241 viruses on individual PCs and network drives, at a price of \$49. Parsons even goes to the trouble of shipping all its software on disks that cannot be written to, so no virus can be added to a program disk. (Parsons' order number is 1-800-223-6925.)

PRODUCTIVITY BOOSTERS

Teaching Computers To Talk Back

An ingenious \$149 program called **Monologue 2.0**, from California software publisher First Byte (1-800-523-8070), allows your computer to talk back to you. If that sounds like more of a curse than a blessing, consider just these two of many possible uses: It could enable a visually impaired employee to hear what he or she has typed; or it could take some of the tedium out of comparing long spreadsheet, database, or word-processing files with their original manuscripts.

The pronunciation of numbers and words on **Monologue** is stunningly accurate, a reflection of the 1,000 or so rules contained in the program. And unlike most computer voices, which sound like they are originating from inside a tin can, **Monologue** is easy on the ears and the nerves. In fact, the volume and the tone of its voice and even its gender can be altered to suit your listening tastes.

Monologue is memory-resident software, which means that it loads into RAM each time you power up your computer. To activate the program, you merely press a key (your choice), highlight the portion of the file you wish read to you, and press **Enter** on your keyboard.

We tested **monologue** on both our computer's internal speaker and on the **Speech Thing**, an \$89 external speaker recommended by First Byte. And we found the simple-to-install **Speech**

Thing, by Covox Inc. (503-342-1271), of Eugene, Ore., a more than worthwhile investment.

Monologue will run on most PCs, but we'd suggest at least 1 megabyte of RAM and a mouse or a track ball for pointing to the text to be read to you—a method that's more convenient than designating the text with a cursor.

One caution: While the **Speech Thing** will take less than five minutes to get up and running, **Monologue** will probably take considerably longer. That's acceptable, but less acceptable was the fact that two phone calls to First Byte's technical support number were not returned until the following day. The software

talks back more effectively than its authors.

—Albert G. Holzinger



PHOTO: AMANDA BALDRENE

Monologue: Software that empowers computers to talk back to you.

Price Cuts

Many computer users regret that the **Commodore Amiga** has never caught on as a general business machine, although it is strong in the graphics and multimedia markets. To remain competitive, Amiga is cutting prices on many of its machines by 16 to 25 percent, and boards are reduced by even more.

The **Bridgeboard**, for example, which makes the Amiga compatible with the DOS world of 286 machines, has been cut from \$1,599 list to \$799. With the Amiga 3000-16/50, the logical business entry machine, at a new list of \$2,999, more small businesses may be finding an interest in this versatile computer. ■

LESSONS OF LEADERSHIP

The Foremost Goal: Top Performance

By Albert G. Holzinger

The theme of the 1991 annual report of Phillips Petroleum Co. to its stockholders is summarized by the cover photo of a swimmer showing championship form a split second before she enters the water. Reinforcing this visual image of excellence is the caption: "Striving To Be The Top Performer."

"Top performance is at the heart of our corporate mission," says C.J. "Pete" Silas, chairman and chief executive officer of the Bartlesville, Okla., energy and chemical company, in the body of the report. "This doesn't always mean being the biggest or the most profitable. But it does mean getting the most mileage from our assets and delivering the highest returns to shareholders."

"Top performance also means making decisions today that set the stage for even bigger achievements later on," continues Silas, who has been Phillips' CEO for the past six years.

The concepts of excellence and vision have been familiar ones to Silas throughout his adult life. He starred both in the classroom and on the basketball court at the Georgia Institute of Technology. After graduation, while in the Army, Silas excelled on a basketball team that won the 1955 Pan American games in Mexico City.

In 1988, Silas' alma mater awarded him its Former Scholar-Athlete Total Person Award, which is presented to highly successful alumni who had excelled academically and athletically while at Georgia Tech.

Yet despite his obvious athletic prowess, Silas had the foresight to decline an offer to play professional basketball for the then-Minneapolis Lakers in favor of one to join Phillips.

At Phillips, Silas starred once more, rising from the position of trainee petroleum engineer in 1953 to chairman and

As 1991-92 chairman of the U.S. Chamber of Commerce, C.J. Silas will espouse an action plan for enhancing America's competitiveness.

CEO in a little over 30 years, with two years out for military service.

His newest challenge extends far beyond his own company and industry, and it encompasses the goals of all American business. He became the 1991-92 chairman of the U.S. Chamber of Commerce at the organization's recent annual meeting in Washington, D.C.

As he travels throughout the U.S. as the top elected officer of the world's largest business federation, Silas will offer an action plan for enhancing America's position as the most competitive nation on earth.

America can restore its competitiveness, Silas believes, by strengthening itself in five areas, all beginning with the letter E: Education, Energy, Environment, Ethics, and Elections. Here's how he defines each:

Education. "Japan and Germany,



PHOTO: T. MICHAEL KEZA

C.J. "Pete" Silas, CEO of Phillips: "Top performance is at the heart of our corporate mission. This doesn't always mean being the biggest or the most profitable. But it does mean getting the most mileage from our assets."

LESSONS OF LEADERSHIP

among others, are doing a much better job of preparing their young people for tough international business competition," says Silas, who has spent a substantial part of his career stationed in cities throughout Western Europe. Our schools are "simply not competitive," he says, "and we've got to do better."

Silas believes today's U.S. graduates are especially lacking in math and science skills, leaving them poorly prepared for an increasing number of jobs. "More and more, technology is driving American industries," he says.

However, Silas points out that America's educational problems are not limited to secondary schools. To the contrary, he says, "we've got big problems between grades kindergarten and three. About 80 percent of future school dropouts can be identified by third grade."

Some of these early-childhood education woes are more sociological than educational in nature, he says. Due to the rapidly increasing number of single-parent families and other factors, he says, many children "have given up on school before they start."

Silas believes educational shortcomings need to be addressed at the "lowest common denominator—the local school board." Phillips encourages its employees to run for school boards, and Silas believes even firms much smaller than Phillips should follow suit. "Small business has a big part to play in shaping educational reform at the grass-roots level, but it has to get involved in the process," he says.

The U.S. Chamber is playing a big role in education reform, Silas says. "It's in an ideal position to effect reforms, what with some 2,700 local chambers, one in almost every U.S. community," he says. "No organization is better than the Chamber at mobilizing a big cross-section of U.S. industry."

Silas is especially enthusiastic about the Chamber's affiliated Center for Workforce Preparation and Quality Education, which he characterizes as "a clearinghouse for [education programs that have] worked, so that there is no need to reinvent the wheel in every community."

Energy. As you might expect of a career-long employee of a company engaged principally in the business of exploring, developing, and marketing derivatives of petroleum and natural gas, Silas has deeply held views concerning U.S. energy policy.

"Right now, public policy in the U.S. actively discourages the development of domestic energy supplies. . . . The energy strategy we've employed is to import more and more crude oil," Silas says. "We've shut down nuclear power plants, taken away the investment tax credit,

and taken away lease land" available to oil- and gas-exploration firms.

"This policy of discouragement has to change," he said during a recent address in New York to members of the Carnegie Council on Ethics and International Affairs. "More domestic energy would diminish the importance of Middle Eastern oil, substantially improve our balance of payments—imported oil has accounted for 55 percent of our foreign trade deficit the last two years—and encourage economic activity here in the U.S.," he said.

"As an oil man, I think it is a shame that we have locked away the areas of this country that have the greatest potential for oil and gas discoveries," he told members of the council, a New York-based organization that promotes understanding of moral and international issues.

Major areas that have been locked away, he notes, are the Arctic National Wildlife Refuge (ANWR) in Alaska and the Point Arguello field on the outer continental shelf of the U.S., some 40 miles west of Santa Barbara, Calif.

A recently released five-year study

by the U.S. Interior Department forecasts that exploration and production activities, including roads, drilling sites, and pipelines, would require use of a total of 13,000 acres of the vast 19 million-acre ANWR, and it says the region offers America's "best single opportunity for significantly increasing domestic oil production."

Nonetheless, citing environmental concerns, Congress has so far refused to permit even exploration of this ANWR tract.

This rankles Silas, whose firm last year derived about one-fourth of its domestic production from wells in the equally environmentally sensitive Prudhoe Bay area of Alaska. "Our industry has demonstrated over and over again its capability of carrying out exploration in harmony with the environment," he says.

Exploration of the Point Arguello field, discovered in 1981 and equipped for production since 1987, also is on hold because of countless regulatory impediments. Phillips is one of 18 partners in that \$2.5 billion project.

But even opening the taps on these and other domestic petroleum resources would not fully meet America's future energy needs, says Silas. Consequently, he says, "even though I'm in the oil and gas business, I favor encouraging more use of coal, nuclear power, and other forms of energy."

Nuclear power "has great potential. Generation technology has improved significantly in recent years," he notes. However, he says, the plant-licensing process and the disposal process for spent nuclear fuel require improvements.

As for other sources, Silas asks rhetorically: "Do we need fuel cells? Windmills? Geothermal wells? Solar energy panels? Fusion energy?"

"We need all of them."

Environment. Silas frequently makes a point of characterizing Phillips as an "environmental company." He explains: "In our business, we deal with the environment every day."

At Phillips, Silas says, environmental leadership is a major corporate objective. He points to a recently created internal unit responsible solely for environmental oversight of company activities.

All businesses should shoulder the burden of serving as "responsible stewards of what we have been provided by previous generations and as responsible trustees for what we will pass on to the future generations," Silas maintains. "All of us need to consider more carefully—in our day-to-day business—how we can handle the needs of the present without compromising the ability of fu-



PHOTO: T. MICHAEL KEAR

Technological progress has been a goal of Phillips since the company's earliest days, Silas says.

ture generations to meet their own needs."

However, Silas is sharply critical of purported environmentalists whose goals he characterizes as "subverting [environmentalism] into an instrument of oppression or into a tool for delaying legitimate social and economic advancement."

Ethics. "Unfortunately, business people don't always do good things," Silas says, commenting on the issue of business ethics. "And whenever business people do dumb things, either accidentally or deliberately, ... they diminish the credibility of all of us."

Silas says every business in America should establish ethical principles, teach them to its employees, and make certain employees from the top level to the basement uphold them.

Phillips' ethical standards appear on posters hanging on the walls of its buildings and on cards its employees carry. The standards include maintaining a safe work environment, communicating honestly and openly, conducting business ethically and responsibly, and contributing to the quality of life wherever Phillips operates.

Elections. "In Europe, industry and government are partners," Silas points out. "There is mutual respect between them, and government knows who is creating jobs and who is paying taxes." In the U.S., by contrast, business and Congress "always seem to be fighting each other," he says.

Much of this conflict, according to Silas, stems from lack of communication between the two institutions. "We in the business community do good things for people, and we need to be proud of that fact," Silas says. "But we also need to make sure [elected officials] all the way up the line to Congress and the White House are proud of what we do."

To achieve such understanding, says Silas, "business needs to get more involved in the political process, which is what the U.S. Chamber of Commerce is all about. The Chamber has to keep reminding lawmakers that many bills are jobs bills."

For example, he explains, "if Con-

gress makes it too tough or expensive to build a plant here, people will build it overseas."

Silas' interest in enhancing America's competitiveness through those five E's is a reflection of Phillips' corporate culture, dating to the firm's founding in 1917 by Frank and L.E. Phillips in Bartlesville, about 50 miles north of Tulsa. Stretching the limits of technology has always been an important goal of the company, Silas notes.

Pursuing that goal last year, several thousand Phillips employees attended company-sponsored quality awareness classes, and quality action teams were formed throughout the company.

These teams of employees address specific quality problems and opportunities for improvement, usually ones that cut across organizational boundaries.

A key development in that project was the decision of Phillips management, led by Silas, that each organization within the company should be in a position to enter the competition for the Malcolm Baldrige National Quality Award no later than the year 2000.

(The award, named for the late secretary of commerce under President Reagan, was established by Congress in 1987. The U.S. Commerce Department oversees the award program, which is designed to recognize and continue Baldrige's efforts to rally American business to the highest standards of excellence in the face of increasing competition from top-quality products in the global marketplace.)

Merely undertaking, much less finishing, Silas' lengthy agendas for the Chamber and for Phillips seems a daunting task. But there is an unmistakable twinkle in Silas' eyes when he muses: "I've got to admit, sometimes it would be nice to go to bed feeling bored. At least I would know that nothing would be significantly different when I got up in the morning. But as I look back over the years, it's hard to remember a time when it was boring to be part of the business world. And, looking ahead, there sure doesn't seem to be any dullness in sight."

We in the business community do good things for people, and we need to be proud of that fact. But we also need to make sure [elected officials] all the way up the line to Congress and the White House are proud of what we do.

—C.J. Silas, Chairman of the U.S. Chamber of Commerce

PROFIT FROM THE POWER OF TRADE SHOW MARKETING



PORTABLE DISPLAYS

- Solid custom look
- Stunning graphics
- Save on shipping
- Hand carryable
- Easy set-up

1-800-328-2725

Please Rush My FREE Color Display Brochure Today!

Name _____
 Title _____
 Company _____
 Address _____
 City _____ State _____ Zip _____
 Phone _____

Mail to: 12345 Portland Avenue South, Burnsville, MN 55337

SKYLINE
 Displaying Performance. NB61

SPECIAL REPORT

Four Avenues To Franchising

By Meg Whittemore

Every year, hundreds of business owners struggle with the challenge of keeping their businesses profitable while expanding their market base. Increasingly, they turn to franchising as a way to accomplish both purposes.

Franchising a business can provide a national market presence relatively quickly without placing the entire financial risk on the parent company. But the process often takes years to accomplish correctly, and typically it requires the assistance of a well-informed and experienced franchise professional on the company's staff.

Following are the accounts of four companies that chose to grow through franchising—and that succeeded in widely differing ways. The businesses profiled here are a single-unit owner/operator, a corporation interested in franchising a portion of its operation, a foreign franchise entering the U.S., and a franchised business that was rescued from bankruptcy after its operations were re-examined and management controls were instituted.

Although the kinds and sizes of the companies vary, the reasons they chose franchising as a way to grow are the same—rapid market penetration and shared financial risk.

The Entrepreneur

Four years ago Tom Kewan knew little about franchising, but he did know that to expand his business, he had to involve qualified people who would also share the financial risk. Franchising seemed to be the way to do it.

"When you put up a corporate store, you are taking all the risk," and the salaried manager has no ownership stake, Kewan says. On the other hand, he explains, "people who are interested in owning a portion of my business and who want to be on-site [operators] are much more dedicated to success than a ... manager would be."

Kewan is president and founder of Truckalene Suspension Centers Inc., in Altoona, Wis. It is a national franchise specializing in suspension and wheel-



PHOTO: STEVE WOT

Specialized service for trucks at Truckalene Suspension Centers.

alignment services for heavy-duty trucks.

Developing his successful, 20-year-old business into a franchise took four years of hard-learned lessons and a lot more money than Kewan expected to spend.

At first, he hired a franchise consultant, and the experience was not productive, he says. His consultant promised to sell franchises for him but didn't, according to Kewan. Today, his advice to would-be franchisors is direct: "You need to be able to sell yourself. That's the business you're in. If you can't represent yourself, you shouldn't be in franchising."

Kewan spent a total of \$100,000 with the franchise consultant over six months before learning that what he really needed was a permanent franchise expert on staff. With the help of an executive search firm that specializes in placing management-level personnel in franchises, Kewan found the right person. He hired the expert as a full partner in the company with responsibility for marketing the franchise and all other aspects of the franchise program. Says Kewan: "I know the business end, and he knows the franchise end. It works."

The Truckalene Suspension Center

Offering truck repairs, home cooking, fast framing, and specialty T-shirts, these companies expanded through franchising.

had been started in Eau Claire, Wis., in 1971. Kewan, then 19, used the \$14,000 he had set aside for his education to start an auto and truck repair shop—the forerunner of what he now owns. By 1981, he had moved the business to Altoona and was specializing in truck repairs. "I noticed that 75 percent of my gross profit was coming from alignment and suspension work," he says, "but that area accounted for only 25 percent of my total business volume. I saw a huge opportunity."

Kewan and his employees began refining specialized procedures for suspension and alignment services for trucks. Customers poured in. "Truck-fleet owners found that they couldn't afford to stock specialized suspension inventory, purchase wheel-alignment equipment, or have highly trained personnel on hand to do the work," Kewan explains, "so we got their business."

Kewan's success in specialized maintenance services for commercial trucks led to his decision to form his franchise company, Truckalene Suspension Centers Inc., in 1986.

Truckalene Centers service all kinds of trucks—pickups, delivery trucks, dump trucks, trash trucks, and 18-wheel tractor trailers. The facilities are located near truck stops or in areas where trucking operations are concentrated. To reach potential customers, Kewan relies on direct mail; he buys mailing lists of truck owners in major cities.

Gross sales last year for the one company-owned center were \$1.2 million. His first three franchises opened this spring, in St. Paul, Minn.; Madison, Wis.; and Harrisburg, Pa. Kewan's growth plans include at least one center in every major metropolitan area nationwide.

Start-up costs are \$375,000—most of which goes for equipment. "It is an equipment-intensive business," says Kewan, "but that's what has kept our competition at a minimum." The 6 percent royalty and the 1 percent advertising fee are based on gross sales.

Each center has six bays, two of which contain alignment machines. A standard inspection takes 30 to 90 min-



PHOTO: CILLAWRENCE



The Black-eyed Pea restaurants are growing with consumer tastes for home cooking at affordable prices.

utes and costs about \$130. Repairs and other services are additional.

Kewan says he looks for franchisee candidates who have experience with customers and good leadership abilities; truck-repair know-how is not a requirement. "If our franchisees can properly lead their own people, then we will be able to grow from within," he says.

Franchisees receive training in management and administration, the computer system, and the day-to-day operation of the center. Skilled technicians are hired to do the specialized mechanical work.

Now, with a solid franchise concept in hand, Kewan looks back over the past 20 years and says that "as simple as the

concept sounds, franchising is very difficult. I know now how little I knew then about franchising."

Would he do it again? Absolutely: "Franchising is like starting a new business all over again."

The Corporation

Prufrock Restaurants opened its first Black-eyed Pea restaurant in 1975 in Dallas. For the next 10 years the basic, home-style fare of The Black-eyed Pea filled a steadily growing consumer demand throughout Texas and Oklahoma for traditional cooking.

By 1986, there were 46 company-owned Black-eyed Pea restaurants. That year, Prufrock Restaurants (which

also operates a separate Dallas-based restaurant chain) was purchased by a subsidiary of Unigate PLC, a London-based company doing business in food production/distribution and transportation industries in European countries as well as in North America.

Prufrock Restaurants became a division of Unigate, whose interest in the nationwide marketability of The Black-eyed Pea led the Prufrock management to franchising.

"Franchising is really an extension of our company growth objectives," says Angelo Pitillo, president of Prufrock Restaurants. "By the time I recruit, train, and develop people to open a company-owned Black-eyed Pea in a new



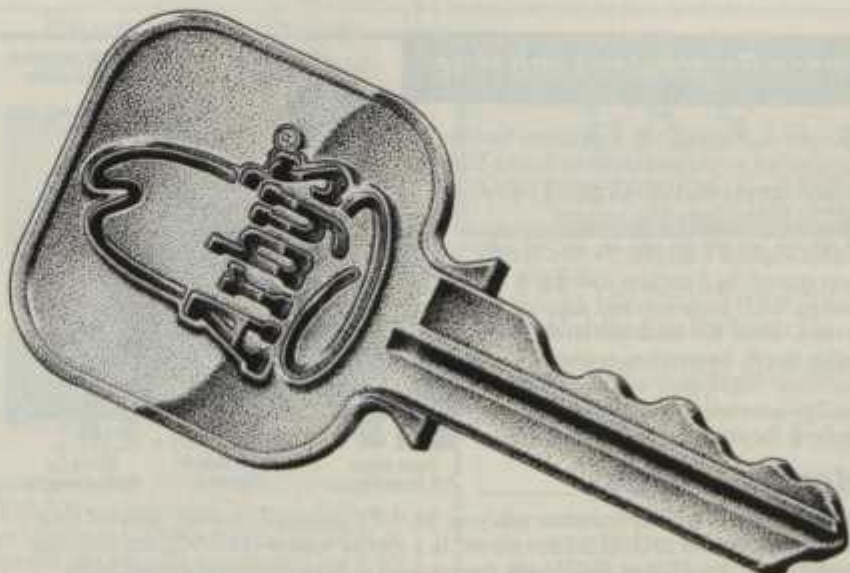
Join America's #1 Quick Lube Franchise

Opportunity Available Now to Purchase Established and Operating Quick Lube Centers

Minimum investment for a Jiffy Lube Franchise opportunity approximately \$158,000

Call Today!! 1-800-327-9532

Or Write: Jiffy Lube International, Incorporated
P.O. Box 2967, Houston, Texas 77252



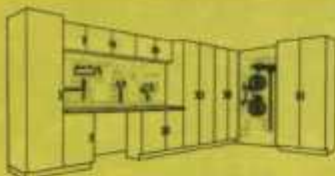
Opportunity Only Comes Once. Here's How To Get In The Door.

Opportunity, it seems, is more scarce than ever. But not at Arby's. We have ideal locations available. We're growing. And we need people to grow with us. All you need is \$250,000 in net worth including liquid assets of \$100,000 to get things started. Just call 1-800-554-1388 and ask for operator 86. We'll be happy to give you more information. And, quite possibly, the key to your success.



SPECIAL REPORT

An Idea Whose Time Has Come!!



- Over 95% of all homes and businesses need organized storage space
- Consumers spend \$106 billion annually on home improvements and organized storage space is one of the greatest demands
- We provide complete training and continuing support
- An on-going intense marketing campaign by franchiser to secure you daily, qualified, value conscious buyers
- A continuing national public relations campaign
- All products supplied by franchiser—no franchisee manufacturing required
- Turn-key package \$55,000 including franchise fee of \$12,500
- Financing available to qualified individuals
- Isn't time you work for someone who truly appreciates your efforts and will pay you accordingly—YOURSELF?
- Join a growing sales and service company in a growth oriented market

**Gourmet
Garages!**

and other
MODULAR STORAGE SYSTEMS

3114 63rd Ave. East • Bradenton, FL 34203
CALL TODAY: 813-758-9121

Circle No. 50 on Reader Service Card.



JANITORIAL FRANCHISE

- ❑ A Huge Service Industry
- ❑ Complete Commercial Services
- ❑ Learn Management!
- ❑ Master Licenses Available
- ❑ 825 Franchises Nationwide
- ❑ Minimum Investment \$12,000
- ❑ Includes Full Training, Equipment, and Ongoing Support for New Owner

**Expand Your Future
With The Best**

**For More Information Call:
1-800-848-2761**

Circle No. 21 on Reader Service Card.

Golden Parachutes Land Here

Dozens of Fortune 500 executives have pulled the rip cord on corporate life to launch their second careers as AlphaGraphics Printshops Of The Future franchise owners.

AlphaGraphics franchise owners benefit from one of the franchise industry's leading R&D programs and support system. Over 325 locations world-wide utilize lasers, computers, presses, electronic duplicators and an exclusive satellite network to meet the expanding demand for printed communications.

Money & Success

With the help of leading franchise analysts, *MONEY* magazine recently selected their Top Ten from over 2500 U.S. franchisors. In a special edition (Dec. '90), the magazine named those "established franchisors that promise to have continued growth in the 1990s." AlphaGraphics heads up the list.

In February, *SUCCESS* magazine named their Top Ten business service franchises, rated in terms of potential growth. AlphaGraphics is #1.

So if you're ready to bail out of the corporate rat race, don't take a free-fall. Hook up with AlphaGraphics... the company that specializes in turning landing pads into launching pads.

Potential minimum cash: \$60,000
on investment of \$295,000.

Call toll-free: **1-800-528-4885.**

In Canada and Arizona call:
(602) 293-9200.



3760 N. Commerce Dr., Tucson, AZ 85705

alphagraphics®
Printshops Of The Future

Circle No. 33 on Reader Service Card.

market, we could have a franchisee operational," he says.

Two-thirds of the new Black-eyed Pea locations are company-owned, says Pitillo. Prufrock's policy is to sell franchisees an entire market, which it defines as five locations within a geographic area. Pitillo says this system augments the company's corporate growth strategy. For franchisees, Prufrock prefers groups of well-financed independent business people, several with solid experience in restaurant operations.

The group approach makes sense, given the cost of opening a single unit. Costs can run as high as \$1.5 million, which include the franchise fee, real estate, construction, furniture, and equipment. The franchisee development group must have one-third of the total start-up cost in equity.

The Black-eyed Pea offers basic entrees such as meat loaf, chicken-fried steak, and pot roast at prices of about \$6. Restaurants are located in shopping malls, near office complexes, and in retail strip centers.

Pitillo, who has made a career of the restaurant business, joined Prufrock in February 1989 after being with Jerico, Inc., a Lexington, Ky., company that owns and operates Long John Silver's Seafood Shoppes, another franchise. Pitillo's understanding of franchising has helped expand The Black-eyed Pea.

Today, there are 70 company units and 17 franchised locations in Texas, Oklahoma, Virginia, Maryland, Colorado, Florida, Missouri, and Georgia. Pitillo plans to have eight more units open by the end of this year.

There's a consumer trend away from nouvelle cuisine and toward basic food, and that will be instrumental in the success of The Black-eyed Pea, Pitillo says. "People are more practical now, and they are not spending as much on high-priced dining. Price, value, and the variety of our menu are still driving our segment."

Prufrock's policy of selling an entire market to one franchisee virtually guarantees there will be no competition between company-owned units and franchisees. "There is a business advantage to this approach," says Pitillo. "By having their own market, franchisees can have a marketing philosophy and pricing structure that makes sense for that area and not have to adhere to what works in some other region of the country."

Giving franchisees control over marketing and pricing is a departure from the standard franchising formula of following the franchisor's marketing blueprint to the letter. Says Pitillo: "Our franchisees understand value and know what their markets will bear."

The restaurant industry is "entirely different today [compared with] 20



PHOTO: CROWDWORK

John Scott introduced British-born Fastframe franchises to the U.S.

years ago," says Pitillo. "Your competition is more sophisticated. They are very market-oriented, and your customers are more choosy." Therefore, franchisee selection has become more competitive, too. Pitillo looks for financial strength and experience in operating a restaurant.

Typically, it takes from three months to a year to get a restaurant open, says Pitillo. The franchisee is responsible for finding the site and handling the zoning, environmental, and legal issues that may be involved. "It takes an experienced business person to move our concept into a reality," he says.

Training is intense for the operating principal of the franchisee group and for at least two managers of the first unit. At a restaurant in Dallas, they must complete five weeks of training in the kitchen, followed by four weeks of management and administrative training. Each manager also undergoes three weeks of training.

Pitillo's approach is working. The average annual sales per unit are \$1.6 million. His plan includes opening 40 to 57 franchised Black-eyed Pea restaurants by 1994.

Pitillo admits that his expansion plan is aggressive and that franchising will play a major role. "The fact is, I can't develop every market [from the home office] at the same time. I just don't have the time or the people," he says.

Regional Franchising—British Style
When British printer Ian Johnson agreed to look after a friend's art gallery in the early 1980s, starting an international franchise was not on his mind.

Offering customers a fast-turnaround framing service *did* interest him, however, and in 1983 he opened a store in Newcastle, England, that offered customers quality custom framing and quick service.

Soon, Johnson was approached by

John Scott, a franchise consultant, who recommended franchising the service. Scott became Johnson's partner, and the result was the formation of Fastframe Franchises Ltd., which today operates more than 65 franchised outlets in Great Britain and elsewhere in Europe.

Scott left his post as managing director of the parent company in 1987, having obtained master-franchise rights to the concept in the United States. The first Fastframe USA, Inc.—a duplicate of the stores throughout Europe—opened in May 1986 in Thousand Oaks, Calif. Scott started franchising in 1987.

Fastframe USA, based in Agoura, Calif., specializes in custom picture framing and guarantees the work will be done within one hour. The wide range of materials in stock and special machinery on site ensure fast service. Most customers spend about \$125 to frame two pictures.

Fastframe USA sells both individual franchises and regional-development franchises. Mike Minihane, Fastframe USA's vice president of franchise marketing, explains: "Our two objectives

Earn \$4,000 Per Month From Your Home With A Computer!



FREE CBS 286 Computer

Start part-time with potential earnings of \$10,000 or more per month. This is a proven turn key business an individual or couple can run. If you purchase our software and business program, we will give you the computer and printer. If you already own a computer, you may receive a discount. You do not need to own, or know how to run, a computer — we will provide free, home office training. Financing available.

To receive a free cassette and color literature, call toll-free:

1-800-343-8014, ext. 32
(in Indiana: 317-758-4415) Or Write:
Computer Business Services, Inc.
CBC Plaza, Ste. 32, Sheridan, IN 46069

Circle No. 5 on Reader Service Card.

Bo is back!

Bojangles' Famous Chicken 'n Biscuits is back. And bucking the trends in today's competitive quick service restaurant environment.

Our restaurants are known for flavorful products and fresh, all day biscuit sandwiches. Bojangles' also leads the industry in product innovations with a line of menu items tailored to today's health conscious consumer.

And no one beats Bojangles' for franchise opportunity in the '90's. At present, prime development territories are available, concentrating in the Southeast.

So call or write for information today. Compare Bojangles' to other concepts and we think you'll find no one beats the Bo!

Bojangles'

Linda Guthrie
BJ Acquisition Corp.
P. O. Box 240239
Charlotte, NC 28224
704/527-2675

Circle No. 31 on Reader Service Card.

FAX INDUSTRY OF THE 90's

YOU can participate with the
Public Fax Industry's
International Leader
with
**AT&T Enhanced FAX
Service**

by owning **GOFAX** Automated
Credit Card Operated
PayFAX and Fone Machines

- TOP Locations NOW!!
- 5 to 6 Figure INCOME
- No Selling: PT/FT-Turnkey

Cash Requirement: \$ 29,000
**Immediate Start for this
Limited Opportunity**

GOFAX, Inc.

Call 1-800-233-4341

(FAX: 401-455-3537)

ENDORSED



Circle No. 24 on Reader Service Card.

SPECIAL REPORT

The Great American Dream House — Models As Low As \$25,000

Earn a top living as an Eagle's Nest Homes representative — and live in luxury in a stunning model home.

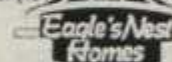
Models as low as \$17 per sq. ft.

- Interior and exterior design flexibility
- Remarkably energy-efficient
- Cathedral ceilings and exterior decks
- Built-in, expandable Home Computer Center
- FHA and VA accepted

Unlimited Income Potential

As an Eagle's Nest Homes representative, you have unlimited income potential in a defined territory. And the only qualification you need is the ability to purchase or mortgage a \$25,000 model which may be finished as a home to live in, or sell, or completed as an office, condo, duplex, or other commercial enterprise.

Call Mr. Nations collect (404) 479-9700



RR 14-Box 24
Canton, GA 30114-8312

Circle No. 3 on Reader Service Card.

Make Jani-King your choice #1

- Ranked #1 in the commercial cleaning industry by Entrepreneur magazine - 1991, 1990, 1989, 1988 and 1987
- Chosen the #3 franchise in the nation by Entrepreneur magazine, January 1991

\$6,500 to \$14,000+ start-up cost
(financial assistance is available)

Learn how you can become one of Jani-King's over 2,000 franchisees with one of the lowest investments in the marketplace. This 22 year old company gives you the ability to start full-time or part-time. Become your own boss and "clean up" in one of the hottest industries today.



CALL 1-800-552-5264

In Texas: 1-800-533-9406

Canada: 1-902-468-3156

© JANI-KING 1990, 1991

Circle No. 18 on Reader Service Card.

Ten Years Ago We Created The Industry

Today We're Still Creating Opportunity For Dynamic Growth!

Mail Boxes Etc.[®] has helped over 1,400 entrepreneurs build their futures in franchised postal, business & communication services. We're the leader in one of the fastest growing industries in the world! Come grow with us. We'll help you build your business from the ground up and continue to give you all the support you need.

- low start up costs (as low as \$24,000)
- financing for qualified buyers (up to 70%)
- professional training at MBE University
- marketing & advertising materials
- continuing operational support as you grow

... and a decade of experience doing it right! Please call or write to us today for free information: **1-800-456-0414**



MAIL BOXES ETC.[®]

5555 Oberlin Drive • San Diego • CA • 92121
Offering by prospectus only

Circle No. 28 on Reader Service Card.

The #1 New Franchise Opportunity...GNC

GNC is ranked by Success and Entrepreneur magazines as the best new franchise to buy in the 90s.

Join the best.

Capitalize on the growing \$2.2 billion self-care industry. Low minimum investment of \$50,000. Direct financing available.

Contact: Director of Franchising
GNC Franchising, Inc.
921 Penn Avenue
Pittsburgh, PA 15222
Phone 1-800-962-4973

GNC.
Since 1935.
Over 1,000 stores.

Circle No. 7 on Reader Service Card.

were to accelerate growth and achieve that by having a local level of representation." Regional-development franchisees achieve those goals quickly, he says.

Regional-development franchisees acquire the rights to market (not sell) Fastframe franchises in a specific territory, says Minihane. "We retain total control of the sale and training," he says. "That way we can ensure our standard of quality."

Regional-development franchisees own a Fastframe franchise and also act as a local resource for the franchisees in their territory. All the time-consuming aspects of franchising are handled by the regional-development franchisees.

"They find and qualify prospective franchisees and submit them to us," says Minihane. "In franchise development, that's what takes the greatest amount of work."

Like other franchisees, regional-development franchisees each month pay Fastframe USA a 6.5 percent royalty and a 5 percent advertising fee based on gross sales. If a prospect buys a Fastframe USA franchise, the regional-development franchisee receives half of the \$25,000 franchise fee plus 40 percent of the new franchisee's monthly royalties. "That way [the regional-development franchisees] have a meaningful incentive to work closely with the stores in their area to maximize their potential," says Minihane.

Fastframe USA provides a three-week training program, which includes on-site assistance, manuals, and videotapes. Weekly follow-up contact and regional meetings round out the support.

There are 159 Fastframe USA stores in 22 states, and Minihane says he and Scott expect to open at least 1,000 stores in the U.S. market during the '90s, with many of the franchisees owning more than one store. Sales this year are expected to reach \$23 million.

The experience of franchising throughout Europe prepared them for the U.S. and their regional-franchising approach, says Minihane. "The variations and changes in the community when you go from country to country are not unlike the different regions here in the U.S.," he says. "Having people with good local knowledge and a strong track record in retailing and small-business development has made a big difference in Fastframe's growth. We could not afford to recruit those people."

Minihane says he and Scott are looking for a specific kind of franchisee—"a successful corporate career person who wakes up one day and realizes there isn't any future in corporate bondage."

The average cost of opening a store is \$125,000, with at least 30 percent of that amount in cash. A net worth of \$150,000

is also required. A regional-development franchise requires an investment of \$100,000 to \$300,000 depending on the territory.

"We have a 100 percent success rate," says Minihane, and that's why the franchise has become a target tenant by major real-estate developers across the country. "They offer us attractive cash incentives to find leases," he says, "and that often translates into start-up capital for some franchisees."

Minihane says the untapped picture-framing and art-supply market in this country (estimated at \$3 billion) was a strong incentive in bringing Fastframe to this country. The ability to franchise the concept using the regional-development approach was the other attraction.

Re-Franchising A Business

In the early 1980s, Larry Meyer was not sure he could save T-Shirts Plus, a specialty retail franchise that he says was headed toward failure. "When I got involved with the company," he says, "nobody was paying royalties out of 200 stores because the franchisor support was not there."

T-Shirts Plus, then a 13-year-old company based in Waco, Texas, sold a wide variety of T-shirts and sweat shirts in shopping malls. "They had stores that were 10 years old," says Meyer, "and they looked it." Meyer said the franchise had too many part-time franchisees, a weak training program, no site-selection criteria, and outdated store designs.

"I started calling the franchisees and found out that some of them were doing great in spite of their old store designs and lack of support from the parent company," says Meyer. So, he decided to buy the company in 1986 and revamp it.

At that time, Meyer had experience as a franchisee and vice president of franchising for the Houston-based Success Motivation Institute International, which sells corporate programs on marketing-management development and organizational goal-setting.

"That gave me a little bit of an advantage," he says. "I was able to look at [T-Shirts Plus] from the franchisee's point of view." Meyer figured that the T-Shirts Plus concept was sound, but the management structure had to be discarded.

In re-starting the franchise, he invested over \$2.5 million of his own money, which he had made in the mid-1980s as a real-estate developer specializing in multifamily apartment properties and medical buildings. He redesigned the stores, hired for his corporate staff some specialty retailers experienced in multiple-store retailing and merchandising, initiated site-selection criteria, required that franchisees be full-time owner/operators, and developed a comprehensive

**LOCATION!
LOCATION!
LOCATION!**

Even the hottest business idea is worthless without a good location. This is why T-SHIRTS PLUS offers only the best locations in major high-traffic shopping malls across the nation.

We are the largest chain of custom apparel and imprinted sportswear in the world. Here's why: Trend-setting products combined with unique customizing techniques provide a consistent, high gross profit business. Our store owners also enjoy complete start-up assistance, training and continued support.

Total investment from \$130K.

Financing available.

Make your move toward financial independence today—call John Casey for more information.

**T-Shirts
—plus—**

USA 800-828-2639

or 817-662-5050

CANADA 800-268-8225

Circle No. 15 on Reader Service Card.

WHO'S WATCHING THE STORE?

PROVE INTERNATIONAL...

That's Who!

No one likes poor service or rude employees.

Since 1974, **PROVE Mystery Shoppers** have been monitoring the quality of service which employees provide to customers. **PROVE** provides its local, regional, and national clients with suggestions and methods to improve customer loyalty.

Consider a PROVE Franchise...

- In Home Operation
- Reasonable Investment
- Tremendous Demand
- Low Overhead
- National Networking
- Protected Territories
- Multiple Services
- IFA Member
- Extensive Support & Training

prove INTERNATIONAL
CONSUMER REPORTING SERVICES®

For Information Call 1-800-442-5393 EST.
or Write: 4806 Shelly Drive, Wilmington, NC 28405

Circle No. 47 on Reader Service Card.

UTILITY BILL AUDITING

The Opportunity of the '90s!

One of the largest operating expenses for businesses today is utility bills: Gas, Electric, Telephone and Water/Sewage.

Yet studies show that more than 80% of these bills contain errors!

Our business is finding and correcting these errors and sharing the savings with our commercial and industrial clients. We operate on a contingency basis, usually receiving 50% of any refund plus a share of future savings. We have a 12-year track record and turn down far more clients than we accept.

Join our nationwide affiliate network and learn how to operate this business in your own area and joint venture with us on larger cases. With

There's GOLD in Them Thar Bills!

even smaller cases netting profits of over \$2,000 each, it doesn't take many each month to net a six-figure yearly income. Talk to our present affiliates doing this and more.

This is a year-round, recession-proof, service business. About \$10,000 in start-up capital required. Call today for our free color booklet and videotape hosted by actor James Whitmore.

Auditel INTERNATIONAL, INC.
Toll Free (800) 622-2940



SPECIAL REPORT

initial and ongoing training and support program.

The process took Meyer twice as long and cost twice as much as he had expected, he says. "I am still recouping my investment."

The turnaround took three years, and 90 of the original 200 franchisees chose not to renew their franchise agreement. Today, there are 140 T-Shirts Plus franchises in 38 states. Meyer hopes to have 600 to 1,000 stores by the end of this decade.

The updated T-Shirts Plus stores carry 3,000 to 5,000 T-shirts; they come in 23 colors and nine sizes, and there are 500 different prints that customers can have applied to their new shirts while they wait. The typical sale is \$15 to \$25.

Start-up costs are \$140,000 and include the franchise fee (\$30,000), inventory (\$20,000), equipment (\$17,000), leasehold improvements (\$65,000), and working capital (\$15,000). Royalty fees are 7 percent, and advertising fees are 2 percent of gross monthly sales.

"Our working-capital requirement is low," says Meyer, "because typically our stores open their doors and immediately start making money."

All franchisees are required to attend



A new store design and more retailing expertise produced a turnaround for T-Shirts Plus.

the T-Shirt Plus College, Meyer's training program. While in "college," franchisees receive in-depth instruction on all facets of retail operations, including advertising, personnel management, merchandising, inventory management, financial budgeting, cash-flow analysis, and buying techniques.

"Being a franchisee in our system for 24 months is the equivalent of a master's degree in specialty retailing," Meyer says. He brings his franchisees together twice yearly to meet with his retail management team and plan for the upcoming six months. Marketing, merchandising, advertising, and promotional events

are coordinated so that franchisees return with a six-month plan in hand.

Providing ongoing training and guidance for his franchisees is the cornerstone of Meyer's franchise philosophy. "I figured if we give the franchisees the kind of support they needed, then we would have a winner," says Meyer.

It seems to be working. Systemwide sales last year were \$20 million, and this year Meyer expects that figure to top \$30 million. "We are a tenant in demand," says Meyer, who claims that T-Shirts Plus franchises outperform other shopping-mall tenants on a sales-per-square-foot basis. T-Shirts Plus stores range from 700 to 1,200 square feet.

Meyer's franchise team looks for potential franchisees who are well financed, are trainable, and who speak fluent English.

Under Meyer's leadership, T-Shirts Plus is fulfilling his criteria for what it takes to be a successful franchise company: "The formula is finding a business or service that can be duplicated, that is easy to learn, is fun, and offers a high return on investment on a per-unit sale basis."

10

SEND YOUR INCOME THROUGH THE ROOF.



Launch an independent business with Lindal Cedar Homes, the world's most popular premium custom houses. We're looking for entrepreneurs in many key markets who appreciate:

- High profit margins.
- World-class sales support.
- Powerful marketing.
- No franchise fees.

For the whole story, please call
1-800-426-0536

Lindal Cedar Homes

P.O. Box 24426, Dept. PK6, Seattle, WA 98124

ATTENTION ENTREPRENEURS

LIMITED OFFER

GROUND FLOOR

Comp-U-Diet



WANTED:

Dealers throughout the U.S. to help us service over 150 million overweight Americans who need our affordable plan.

If accepted, your cost is only \$485.00. Your profit potential: \$1200 a week & up.

Comp-U-Diet is a revolutionary new diet plan of the 90's that is sweeping the country. People select the foods they like and our computers create a personalized plan for your clients.

NO PILLS-NO POWDERS

NOT MULTI-LEVEL

There is:

- no selling or customer contact
- no billing or collecting
- NO EXPERIENCE necessary (we provide complete training and support, and do all of the computer processing)

Don't Wait!

Territories Going Fast

CALL NOW FOR FREE MAIL-OUT BOOKLET:

1-800-942-9900 ext. 302

Mon-Fri 9 am-5 pm Eastern Time

UNITED AMERICAN MARKETING, INC.

28003 Center Oaks Ct.

Wixom, MI 48393

Own your own scholarship consulting business.

15 million students desperately need help in locating money for college every year. Let us show you how to earn an excellent income matching students to over 28 billion dollars in scholarships, grants, and student aid programs.

NO EXPERIENCE NEEDED

We train you step-by-step

- Immediate income.
- Operate part-time or full-time directly from your home.
- Can be conducted by "direct mail" you never need to see a student.

only \$495.

Initial start up costs

CALL TODAY FOR FREE INFORMATION PACKAGE

1-800-553-1310

ask for ext. 75

or write

MONEY FOR COLLEGE

11846 Balboa Blvd.

Granada Hills, CA 91344

Ways To Control Insurance Costs

By Judy Greenwald

After more than 40 years in the beverage industry, Jean Richer regards the cost of property/casualty insurance for his business with a certain degree of equanimity. "It goes up, it goes up," he says. "We just have to pass [the cost increases] on."

Despite his philosophical attitude, Richer recognizes that insurance costs can have a significant impact on his business. "If our insurance goes so high that we have to increase our prices considerably, it could hurt us," he says.

Richer is a partner with his sister and brother-in-law, Tom and Louise Wellock, in Custom Beverage Packing, Inc., a contract bottler with nine employees, in South Elmonte, Calif. He attempts to keep insurance premiums down by implementing loss-prevention techniques. Examples of such techniques include sprinkler systems and smoke detectors.

Fortunately for Richer and other small-business people these days, rates are relatively low, and there are plenty of insurers willing to write their business.

"Property/casualty insurance for the small purchaser is really in good shape at the current time," says Kevin P. Donahue, president of Kevin P. Donahue & Associates, a Boston-based consulting firm. Insurers have "tried to court this particular edge of the business," he says.

James W. Crystal, chairman and chief executive officer of Frank Crystal & Co. Inc., a New York-based brokerage house, agrees. Unless the small-business person owns a dynamite-manufacturing company, "he probably is not paying a whole lot more than he was a year ago," Crystal says.

Nonetheless, it's inevitable that prices will go up again. Commercial property/casualty rates are cyclical; they respond to the pressures of supply and demand. When rates are attractive to the insurance companies, more insurers enter the market, and everyone writes more business. The increasing competition causes prices to decline, creating a "soft" market. The lower profitability that results from the cut-rate premiums causes insurers to cut back on the business they

write, leading to higher rates and a "hard" market.

The last hard market, which reached its peak in 1986, was particularly dramatic. It coincided with a drop in interest rates, which meant insurers could no longer offset underwriting losses with high-yield investments. This led them to raise rates even higher than they might have otherwise. At the same time, the insurance industry was hit with the bills resulting from unfavorable court decisions and high jury awards for damages. As a result, rates soared.

Insurance for small firms is available and affordable, but take these steps now to position yourself for the next inevitable rise in rates.

Many large companies, fed up with riding the ups and downs of the insurance cycle and finding it difficult to obtain affordable coverage, opted out of the traditional insurance marketplace altogether by becoming involved in a range of alternatives, including becoming self-insured. Observers estimate that as much as one-third of the market left traditional insurers for such alternatives during this period.

But to a large extent, the small-business owner stayed on with the traditional insurance companies. This was partly



PHOTO: C. RICK FREDERICK-BLACK STAR

A fire-prevention program established at his foundry in Massachusetts cut his insurance premium by \$45,000, says Robert Couture.

Judy Greenwald, an associate editor of Business Insurance, an industry news weekly, is based in New York.

SPECIAL REPORT

because small firms still could find coverage in the traditional marketplace. "They have not had to look elsewhere," says Charles Fiske, senior vice president for Sedgwick James Inc., a brokerage in Memphis, Tenn.

But it was also a question of small-business owners' reluctance to spend the time and resources needed to create alternative programs. "All they really want to do," says Donahue, "is go buy something and go back to what they do well," which is running their businesses.

Meanwhile, many observers expect rates to head upward again within the next year or so. "Nobody can predict exactly when, but the prediction they're making is sometime between now and the beginning of 1992 the soft market will leave in favor of a hard market," says Michael A. Rodman, a vice president with J. H. Albert International Insurance Advisors Inc., in Needham, Mass.

Smaller employers, though, can probably expect to enjoy the current market for another two to three years, says Sean Mooney, an economist with the Insurance Information Institute in New York. "We see the turn in the commercial lines in general next year," says Mooney. But, he adds, "I don't think that's going to affect the small-business accounts as much as it affects the large accounts."

"We would think [that] on the small-business side, there shouldn't be any kind of availability problem or even major price increases for quite some time."

This is no time to relax, though, because there are things you can do now to make the most of the current market and to position yourself for the next rise in rates. Here are steps that insurance experts recommend you take:

Find a good broker. Because the small-business owner often lacks the resources to hire a full-time risk manager to take care of the firm's insurance needs, it is particularly critical that the owner find a good broker.

Richer, who has worked with Sedgwick James for 25 years, says brokers "have always helped us a lot. I really don't know that much about insurance. They're the experts, and we sit down and discuss the problems, and they take it from there."

Charles Tagman, a consultant with the Tillinghast Division of Towers, Perrin, Forester & Crosby, Inc. in Boston, says, "I think the greatest distinction between a good insurance program and a bad insurance program is the difference between a capable and a not-so-capable insurance professional." The small-business person "has to be extremely dependent on the insurance professional," he adds.

What should you look for in an insurance professional? "A firm should have a broker it can trust, a real professional who represents their interests first and whose firm has good relationships with 15 or more top financially rated insurance companies," says C. Peyton Daniel, president and chief executive officer of the Daniel & Henry Co., a St. Louis-based brokerage house.

A. William Bailey Jr., president of the Independent Insurance Agents of America, suggests that you select an insurance professional in the same way that you would choose a lawyer or a doctor—by determining who else in the



Choose your insurance agent carefully, says A. William Bailey.

community uses that person's services. If an agent represents several highly regarded area businesses, "that tells you a lot," says Bailey. And, like Daniel, Bailey also suggests that you talk only with agents who have relationships with several top-rated insurers.

Check potential agents' and brokers' reputations with your local chamber of commerce and Better Business Bureau, advises Angelo J. Zervos, of the Zervos Agency, in Southfield, Mich. He and others also recommend that you find out if these professionals have credentials, such as diplomas from the Society of Chartered Property and Casualty Underwriters.

Finally, says Daniel, "be certain your broker has professional liability insurance, with minimum limits of \$2 million."

One possible problem that small-business owners in particular must be alert to, observers say, is insufficient attention from a broker because of the size of the account. Small firms too often re-

ceive second-class treatment, say these experts. Quite often, once the broker has placed the business, "he walks away and forgets it and does not aggressively pursue an advantageous program [at the time of] the next renewal," says Steve Walinsky, executive vice president of the Whitney Insurance Agency, in Millbury, Mass.

Push your broker, says Walinsky; make sure you are kept informed about changes in carriers, products, and other matters important to you.

One way to ensure you are getting the best service from your broker is to put your business out to competitive bid occasionally. "You'll get a lot more attention if you put the whole thing out to competition once in a while," says Dan Free, president of Insurance Audit & Inspection Co., in Indianapolis. Even if your broker is a longtime golfing buddy, says Free, "you want to keep him on his toes" and not let him think all he has to do is to show up at renewal time each year to pick up his commission.

You might also consider getting your broker's attention by packaging your personal-lines coverage with your commercial insurance. Making your account more substantial will give you added leverage in obtaining the lowest possible premiums, says Crystal.

Opinions differ on whether it's advisable for a business owner to hire a consultant for insurance advice. Unlike brokers or agents, consultants are not in the business of selling insurance, so their advice on insurance purchases can be more objective. On the other hand, they can be expensive; rates of \$100 an hour and up are not unusual. Yet the right consultant "might well save them time, money, and headaches," says Dave Goodwin, owner of David Goodwin & Associates, a consulting firm in Surfside, Fla.

Be prepared. At least two months before renewal time, meet with your broker or consultant to decide what coverage is necessary for your firm.

If a business's policies have not been looked at for some time, it's important to make sure that the firm's risks are covered by the policy, says Free. Entrepreneurs often enter into new ventures without checking with their brokers about additional coverage.

Another aspect of being prepared is to have a good set of insurance specifications ready—preferably a set prepared professionally, "one that really sells the company to underwriters," says Rodman. The specifications should include descriptions of the property, the operations, and payroll and sales data. Rodman says they also "should contain information that describes the employer's commitment to loss prevention, to safe-

Nation's Business

Special Resources For Running Your Business

"Executive Seminars In Sound"



CALL 1-800-321-4949 For Faster Service.

Circle No. #13 on reader service card.

Fine-tune your management skills and your bottom line with "Executive Seminars in Sound." The eight 45-minute audio tapes cover: *Getting Your Ideas Across* ■ *Your Role As A Decision Maker* ■ *Improving People Management* ■ *The Art Of Delegating* ■ *Making The Most Of Your Time* ■ *Developing Organizing Skills* ■ *Strategies For Moving Ahead* ■ *Living With Your Success*. Order today, to prepare yourself for executive success! (\$95.00 + \$3.00 for shipping)

"Making Your Family Business Outlast You"



CALL 1-800-538-4400 For Faster Service.

Circle No. #8 on reader service card.

Developed by three of the nation's leading family business experts, "Making Your Family Business Outlast You" will help ensure the success of your family business for future generations. The six audio cassettes and workbook examine: *Communicating Your Family Business Vision* ■ *Understanding Your Family* ■ *Managing Your Family Business* ■ *Raising Your Children For Leadership* ■ *Preparing Your Succession Plan* ■ *Finding And Using Advisers & Directors*. Plan ahead today for a successful family business tomorrow. (\$95.00 + \$4.00 for shipping)

GUARANTEE: Try these programs for 15 days **FREE**.

If not 100% satisfied, return for a full refund.

YES, I want to order the Nation's Business audio cassette program(s) checked below

☐ "Executive Seminars In Sound" - \$95.00 + \$3.00 shipping and handling.

☐ "Making Your Family Business Outlast You" - \$95.00 + \$4.00 shipping and handling.

☐ Check enclosed. ☐ Please bill my credit card. AE ☐ MC ☐ V ☐

Card No. # _____ Exp. _____

Signature _____ Title _____

Name _____ Company _____

Address _____

City _____ State _____ Zip _____

UPS SHIPMENTS ONLY-NO P.O. BOXES.

CA & D.C. residents add sales tax.

MAIL TO: Nation's Business, Circulation Department, 1615 H Street, N.W., Washington, D.C. 20062

NB0691

SPECIAL REPORT

ty programs, and should describe programs and practices the company has in place to avoid losses and to control losses."

Rodman also recommends that businesses "patch up, fix up, paint up, make the place presentable" for the insurance inspection. Sit down with your broker or carrier at least 60 days—not two weeks—ahead of the renewal time to learn what you can expect, says Steven A. Coombs, president of Corporate Policyholders Counsel Inc. in Park Ridge, Ill. That way, if you do not like what you hear, there is still plenty of time to shop around.

Don't buy on price alone. Bear in mind that "there are no quick fixes," Gold says, "and there are also no free lunches."

"Price alone isn't a basis for shopping," says Goodwin. "Examine differences in deductibles, coverages, exclusions, and limitations, and then buy with that knowledge."

The buyers also should be wary of getting a reputation among insurers for being a shopper, warns Daniel. Don't move just to save a dime, he says. "The cheapest is not always the best. You want continuity." Otherwise, he says, insurers begin to ask themselves: "Why

"Solvency is a big issue. You can't expect the business owner to read the trade press. You can expect him to order his insurance agent to be attuned to solvency problems as they start to show."

Check insurers' ratings in *Best's Insurance Reports*, a publication of A.M. Best Co., based in Oldwick, N.J., to see how insurance companies stack up. Best uses detailed financial analyses to rate insurance companies with an established history. Ratings range from A-plus for superior to C-minus for fair. Companies with deteriorating financial conditions are put on Best's "watch list."

Introduce a loss-control program.

To keep losses down and to obtain lower premium rates, you should introduce an effective program to control and prevent losses, experts say.

"It's real simple," says J. Eric Elam, president of Elam & James Consulting Inc., in Jackson, Miss. "The companies with the best overall loss records will receive the best premium concessions."

Elam says a loss-prevention program should include, among other things, a safety statement reflecting the company's policy on the issue, a safety program with a safety manual outlining the responsibilities of managers and employees, and the means to implement the program—for example, a system of merit points and demerits to guide the performance of employees.

"Your broker can give you several loss-prevention booklets that tell you how to set up a loss-prevention program," says Daniel.

A safety and loss-prevention program pays off in the long run, not only in lower insurance costs but also in employee relations, says Feldman. "It shows the company's attitude is a humanistic one."

Robert Couture, president of Standard Foundry, in Worcester, Mass., which makes industrial iron castings, introduced a fire-prevention program into his 100-year-old business on his insurer's recommendation. A modern fire-alarm system was installed, and a coordinator was designated to supervise actions in the event of a fire.

The program reduced his insurance bill from \$70,000 to \$25,000 in two years, he says.

Use common sense. Says consultant Donahue: "The business person should use the same common-sense principles in purchasing insurance that he does with any other service that he purchases, and to always move toward quality."



PHOTO: GILAN DORON

Package personal coverage with commercial insurance for leverage in getting the lowest possible premiums, says broker James Crystal.

Increase your policies' deductibles.

To save costs and improve your loss record, experts say, consider increasing your deductibles to the point where the insurance essentially protects you against catastrophes that would threaten your business.

Relatively minor expenses that you can readily absorb yourself should not necessarily be insured.

Take a higher business-interruption deductible, for instance, "because that's risk you know you can handle," says Thomas E. Gold, president of T. E. Brennan Co. in Milwaukee, a consulting firm.

Consider various insurers. With competition strong among insurers, now is a particularly good time to investigate other insurers. "They're always trying to outdo one another," says Pauline Katz, agency manager for Alexander & Alexander Services, a broker in Melville, N.Y.

should we work hard for this renewal? He switched for 20 cents."

Balance issues such as price, the availability of broader coverage, and a better loss-control program before deciding to switch insurers, recommends Mark S. Moss, vice president at Corporate Risk Management, a consulting firm in Charlotte, N.C. The business person "shouldn't discard a long-term relationship he's already established" without weighing all these factors, Moss says.

Obtain a three-year policy. Although there is no guarantee that the insurer will not cancel or rewrite the policy if rates rise, "if the loss experience is OK, then it's a good chance the rate will stick," says Herbert H. Feldman, president of Herbert H. Feldman Risk Management Inc., in Great Neck, N.Y.

Check the insurer's financial condition. "Businesses have to be supersensitive about the solvency," says Goodwin.



To order reprints of this article, see Page 77.



KOREA



PHOTO: OWEN STRATTON—THE STOCK MARKET

After the signing of major bilateral agreements in May 1989, Korean-U.S. trade relations in general have developed positively, even though there have been some conflicts regarding Korea's austerity campaign and detailed trade issues.

In the second half of 1990, the United States began expressing dissatisfaction, principally with the austerity campaign, the implementation of liberalization measures, and Korea's participation in the Uruguay Round of multilateral negotiations conducted under the auspices of the General Agreement on Tariffs and Trade (GATT).

Trade relations between the two countries deteriorated during 1990 because of unnecessary misunderstandings, which were exaggerated mainly by the U.S. and Korean press.

Fortunately, however, with the help of formal and informal channels of discussions and negotiations, the prevailing mood of misunderstanding has begun to disappear, and the traditional longstanding trade relationship between the U.S. and Korea has been restored.



PHOTO: NATHAN BERN—WOODFIN CAMP, INC.

Modern and sophisticated Seoul and Korea's other cities and towns provide countless buyers for American-made products.

Korea-U.S. Trade Relations

It is somewhat ironic that trade frictions increased during a period in which the trade imbalance between Korea and the U.S. progressively improved. Imports from the U.S. in 1989 jumped 25 percent over the previous year's volume, and Korea's trade surplus with the U.S. continued its rapid annual decline from the 1987 peak of US\$9.6 billion, dropping to US\$2.4 billion in 1990.

Because of this trend, many Koreans do not understand the reason for the heightened

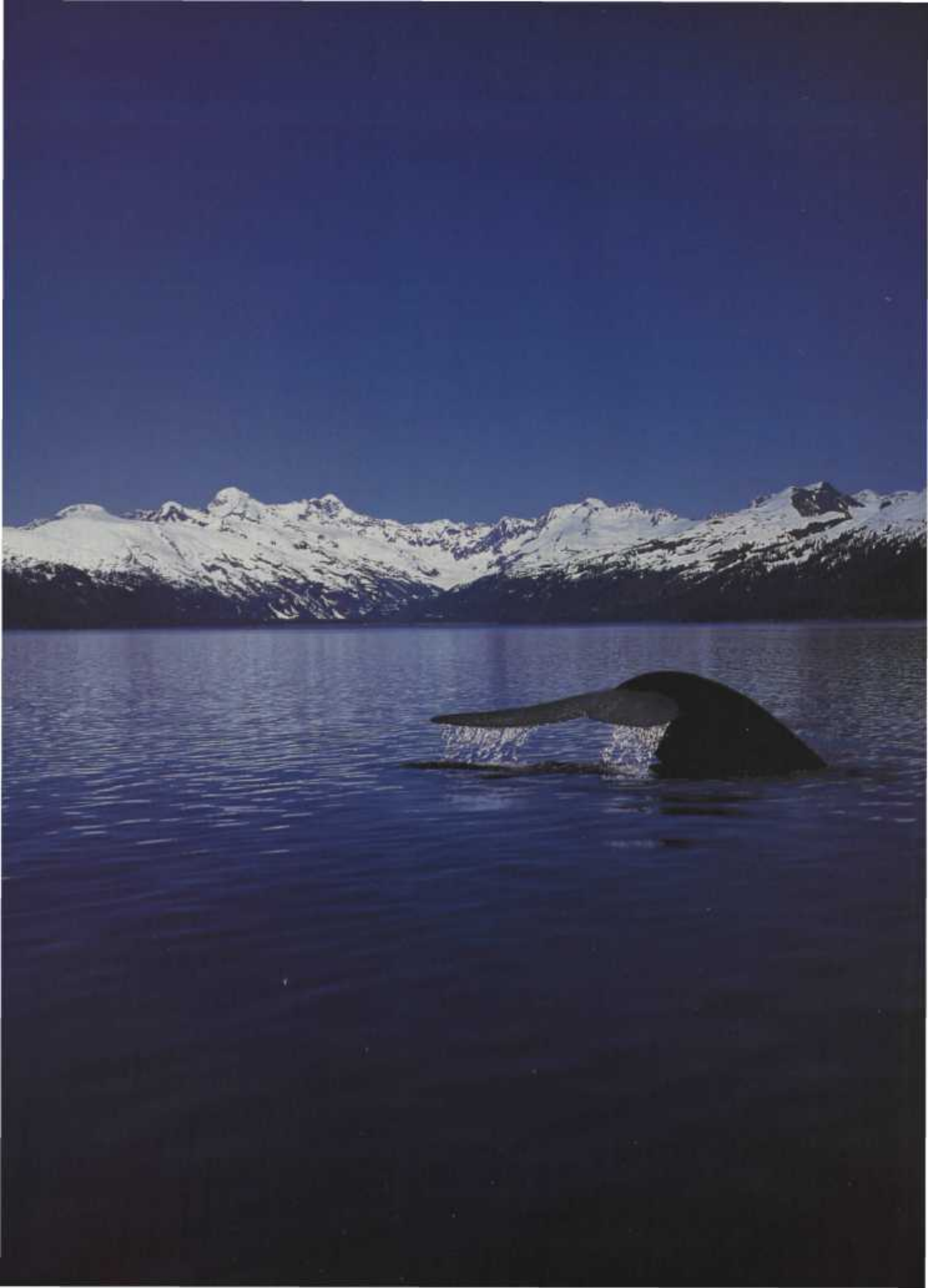
U.S. pressure for increased imports. As the U.S. argues, the narrowing of the trade gap may be due to factors other than the implementation of Korea's liberalization policy. However, the figures, particularly of increasing imports, should be a clear refutation of the U.S. claim that the Korean government dictates import restrictions.

Korean Government's Efforts To Improve Relationships

The rapid economic and political changes that Korea has undergone in a period of two years have not given the Korean people much time to adjust. In the process of democratization, since 1988, the speed and the scope of liberalization have exceeded public expectations, making it difficult for the Korean people to follow the aims of the changed economic policies.

Thus, internal resistance to liberalization has acted as an obstacle to the implementation of trade policies.

Nonetheless, the Korean government is doing its best to follow through on agreements as well as to address public concerns



The few blue whales
remaining alive in the world
are no match for the predator
who has carelessly eliminated
eight hundred species of life
from the face of the earth
in this century alone: Man.
Like every other creature in the sea,
the blue whale requires clean water to live.

The Samsung Group
has designed and is currently producing
supertankers with a double-hull,
double-bottom construction
that prevents oil spills.
The vessels, which are being built
for major oil companies
in the United States and Europe,
are proof that technology
can make man a protector
instead of a predator.

SAMSUNG
Technology that works for life.

The Samsung Group

International Trade, Electronics, Electron Devices, Electro-Mechanics, General Chemicals, Shipbuilding & Heavy Industries,
Aerospace, Construction, Engineering, Financial Services, Food & Pharmaceuticals, Cameras & Watches, Garments & Textiles
C.P.O. Box 1580, Seoul, Korea Tel: (02) 724-0394 Fax: (02) 739-5672

KOREA



PHOTO: ©DAVID POLLACK—THE STOCK MARKET

Coca-Cola for Korean thirsts.

about the effects of liberalization.

On Jan. 10, 1991, a special ministerial meeting was held to discuss the topic of improving the current trade relations between Korea and the U.S. At the meeting, Korea President Roh Tae Woo gave the ministers responsible for economic affairs the following instructions to the effect that immediate action should be taken to deal with the recent bilateral trade issues between the two countries:

- The U.S. is the most important trading partner of Korea, and maintaining good trade relations with the U.S. is a major consideration in Korean trade policy. In this regard, all ministries concerned should make every effort to ensure that smooth trade relations be maintained between Korea and the U.S.

- Ministers should do their best to resolve pending trade issues and, at the same time, to see to it that bilateral trade agreements are implemented faithfully at the working level.

- Before entering into an agreement with the U.S., the ministries concerned should carefully scrutinize its domestic constraints in advance so that they will not find difficulty afterwards in carrying out the commitments, and once the agreement is made, it must be faithfully observed.

- Trade-related rules and institutions inconsistent with international standards and practices must be improved, and working-level officials need to be properly educated so that they better understand that Korea should assume the responsibilities in the world community commensurate with its economic capacity and should fulfill obligations under agreements with other countries.

Korea's Future Trade Policy

The U.S. and all other countries may be assured that there has been no change in the direction of Korea's liberalization and internationalization policies. These external domestic policies will be implemented without any setbacks, in accordance with our domestic and international needs.

Measures that affected only the domestic



PHOTO: ©KEN STRATTON—THE STOCK MARKET

Kentucky Fried Chicken is available in Seoul's Itaewon shopping area.

economy in the past may affect the economies of other countries in the present era of economic internationalization. Thus, the Korean government will make an effort to share international responsibility in accordance with the level of Korea's economic development and to forge external economic policies in line with the world trend of economic internationalization.

U.S. suspicions have increased regarding Korea's trade policies mainly due to the country's austerity campaign as well as to the discrimination against imported goods by the working-level administration. In response to this situation, the deputy prime minister affirmed during a press conference in November 1990 that there has been no change in Korea's external economic policies such as the liberalization program and that the austerity campaign must neither be implemented as an anti-import campaign nor continue to result in the discriminatory treatment of foreign goods.

In line with this position, the Korean government participated actively in the GATT ministerial level meeting in Brussels in December 1990, and every effort was made to accept as much as possible the proposals suggested by the U.S. in the trade talks in December 1990 in Korea.

In addition, a special mission led by Cho Soon, a former deputy prime minister, was dispatched as a special envoy of President Roh in December 1990 to Washington, D.C., to explain that Korea's external economic policies have not changed, contrary to what American businessmen and the U.S. press have reported.

The Recent Performance Of Trade Issues

Financing. It is the Korean government's full intention to take part in the global trend towards financial liberalization and to open Korea's capital market gradually and to the best of its ability in order to enhance the competitiveness of the nation's domestic financial industry.

In line with this policy, the national treat-

ment policy will be increased in scope and strengthened in the future.

Efforts will continue to promote transparency of regulations on foreign banks' activities. In this regard, as much of informal guidance as possible will be transformed into clearly stipulated regulations in 1991.

In conjunction with the Uruguay Round negotiations, the overall criteria for the establishment of branches for foreign banks, including the easing of the criteria for setting up additional branches within the same area, will be reviewed in 1991.

The call market has been operated autonomously by financial institutions, as is the tradition.

However, in line with the short-term money market reforms currently being reviewed, a systematic improvement will be implemented this year, including the promotion of a more impartial brokerage system in order to eliminate discriminatory practices.

In issues surrounding automated teller machines (ATMs), the installation of ATMs both inside and outside buildings was permitted effective Jan. 1, 1991. Furthermore, restrictions on the hours of operation were lifted at the same time.

Also, the limit on foreign-currency lending for foreign banks will be greatly increased this year following a reform of the foreign-currency lending system.

The Korean government also announced measures for securities market liberalization according to GATT's midterm schedule for Securities Market Liberalization (December 1988) and will permit foreigners to acquire domestic securities with some restrictions.

Import Liberalization. The Ministry of Trade and Industry has revised the Export and Import Notice and the Consolidated Notice in order to open pre-notified import items in 1991, in accordance with the Import Liberalization Schedule from 1989 to 1991, announced in June 1989.

- In accordance with the revised Export and Import Notice, 93 items have been newly opened since Jan. 1, 1991.

- In addition, according to the revised



RELIABILITY

RELIABILITY IN BALANCED DIVERSITY

Rely on Ssangyong for all your needs.

Why are people in more than 100 nations relying on SSANGYONG reliability? Because SSANGYONG delivers what it promises in a fine balance of business and industrial fields. And last year that resulted in total turnover of \$8.1 billion.

With 22 domestic and 23 overseas subsidiaries, the SSANGYONG GROUP continues to diversify its international activities. In construction, having built Singapore's spectacular 73-story Raffles City Complex, we're now doing the Grand Hyatt Jakarta Hotel. In automobiles, we're in technical license with Mercedes Benz. In cement, we have 7

major distribution centers in Japan and a joint-venture in the U.S. In trade, we have joint-ventures in container manufacturing in Thailand and in computers in England. In finance, we're Korea's leading handler of M&A transactions. And we continue to make impressive international advances in oil refining, machinery, insurance, computers, electronics, paper and shipping as well.

Rely on reliability.
Rely on SSANGYONG.

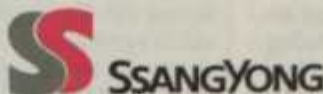




PHOTO: ©DAVID POLLACK—THE STOCK MARKET

The chic Lotte Department Store in Seoul features foreign and Korean goods.

KOREA

Consolidated Notice, nine items have been opened as of Jan. 1, 1991, as preannounced.

■ As a result, the number of import-restrictive items has been reduced to 283, while the import liberalization ratio has increased from 96.3 percent in 1990 to 97.2 percent in 1991.

Intellectual Property Rights. Regarding raids on infringers of intellectual property rights (IPRs), in 1990, 2,722 cases involving 3,390 persons were investigated and 135 persons were arrested.

■ Counterfeit Goods. In 1990, there was a crackdown on 73 cases. Through this process, 352,000 counterfeit goods were confiscated.

■ Cassette Tapes. In 1990, more than 4 million items were confiscated.

In order to protect intellectual property rights, some plans for revising and making legislation will be made in 1991.

The Korean government will amend the Unfair Competition Prevention Act to incorporate trade-secrets legislation into the Korean legal system. The draft legislation will be submitted to the regular session of the National Assembly this year and is expected to be effective from 1992.

Government Procurement. The Korean government submitted its offer list to GATT in June 1990 and at the same time had negotiations with major signatories, including the U.S., the European Community, and Canada. In October 1990, the Korean government participated in a second informal consultation with the U.S. in Geneva with respect to its offer list.

The position of the Korean government to accede to GATT's Government Procurement

Code at the earliest possible date is quite firm.

Liberalization Of Retail Distribution Services. A guideline for the liberalization of retail distribution services was finished around March 1, 1991. Under this new guideline, substantial market access will be allowed.

Out of 40 kinds of wholesale and retail services of U.S. concern, about 35 services will actually be liberalized from July 1991, with the exception of several services areas where foreign investments are prohibited or restrained by the administrative guideline.

However, the above-mentioned areas will also be gradually liberalized in the future, along with the general liberalization of the services sector.

The Price Marking System. The ex-factory price marking system was first introduced in 1979 to harmonize the distribution process and to alleviate public misconceptions regarding the prices of consumer goods.

As the Korean market was progressively liberalized, the incorporation of imported products into the price marking system became inevitable.

There may be certain incidental neighborhood effects on imports in the implementation of the system. The Korean government fully intends to accord equal treatment to domestic and foreign-made goods, and it is willing to cooperate with the U.S. to eliminate disproportionate effects the system may have on imports.

Beef. Even though the negotiations on beef have been a controversial issue between the U.S. and Korea, both countries agreed with the Simultaneous Buy/Sale (SBS) system in March 1990. In accordance with the SBS system, the U.S. could supply beef to Korean hotels in September 1990.

Cigarettes. The Korean government fully understands the background of America's concerns and recognizes the need to modify



PHOTO: ©KIM NEWTON—WOODFIN CAMP, INC.

Cassette tapes are popular items.

the current excise tax revenue distribution system.

Although the Korean government supports in principle the establishment of a new distribution system proposed by the U.S. government, there are practical problems that ought to be considered.

Through active discussions between the cigarette industries of the U.S. and Korea, a voluntary code of conduct was established to minimize harassment and ensure greater clarity on interpretations of how business should be conducted in the Korean market.

Tax On Imported Goods. Although a special consumption tax is levied on both domestic and imported goods alike, it has been proposed by the U.S. that there is discrimination due to the uneven tax base. Previously, when the tax base for foreign goods was estimated, it included the import price plus the import duty, times a multiplier of 1.10. However, the 1.10 multiplier has been abolished in estimating the tax base for foreign goods.

The one-year postponement of the tariff-reduction plan is countered by the abolition of the defense tax on imported goods. The actual tax burden will decrease because abolition of the defense tax will have a 2.5 percent positive effect, while the tariff reduction would have had a 2 percent negative effect. The postponement of tariff reductions did not affect such items as wine, cultural products, and telecommunications equipment. The agreed-upon tariff rates on these items were reduced on schedule as planned.

Telecommunications. During the telecommunications meeting in February 1990, Korea agreed to open certain services in July 1990. The Korean government also agreed to reform the standard-setting procedures and approval systems of telecommunications equipment by that same date.

In addition, Korea expressed its commitment to improving the government procurement system of telecommunications equipment by January 1992, in accordance with the GATT Government Procurement Code.

Family Business

The coming age of work-force diversity; the most important skill for success; the message of the diamonds.

COMMENTARY

A Tougher Challenge For Family Firms

By Sharon Nelton

As every business owner in America surely knows by now, great shifts are taking place in the nation's work force. It is becoming more diverse, with greater percentages of women and minorities and proportionately fewer white males joining the labor pool. And employers later this decade will be faced with a shortage of skilled workers.

Family firms aren't immune from these trends or from the problems they

present. Instead, employees are expected to change themselves in order to fit in.

Managing diversity means managing a work force that includes not only minorities and women but also white males and people of various ages and lifestyles, says Thomas. It also means asking such questions as, "Why doesn't the system work naturally for everyone?" and "Will the cultural roots of this company allow us to take corrective action?"

In other words, the company serious about managing a diverse work force is willing to make changes in its corporate culture. And that can be tough for family-owned businesses.

Family companies "often have cultures that have worked for them very well, and they are reluctant to let go of those cultures in the face of new people coming in," Thomas told us in an interview. Moreover, the notion of "family" is "a very closed term," he says. "Family" by definition implies resistance to newcomers, resistance to people who are different.

Thomas doesn't advocate that the family firm throw out everything it values, but he does say it should look at how it can make "modifications to assure that you're able to fully tap the potential of the people coming into your organization." Also, the company must move from a paternalistic perspective ("We will take care of our people.") to a managerial one, in which you "create an environment that will result in all people being empowered," he says.

"Some individuals have difficulty managing people who are diverse because they have difficulty managing people, period," he says. "Many people who are at the head of family organizations are not there because of any demonstrated managerial capability but because of their standing in the family."

How are you going to manage diversity? Now there's an agenda item for your next family council meeting.



PHOTO: AMANDA BALESTRINI

Plainly speaking, it will be harder to get—and keep—good employees.

—Sharon Nelton

present. Plainly speaking, it will be harder to get—and keep—good employees.

For several years, a number of management experts have been saying that business owners who want to stay competitive in attracting the best workers must learn to "manage diversity."

Managing diversity is different from taking steps to achieve affirmative-action goals, according to R. Roosevelt Thomas Jr., executive director of the American Institute for Managing Diversity, at Morehouse College, in Atlanta. In his new book, *Beyond Race and Gender* (AMACOM, \$22.95), Thomas says affirmative action has been business's chief strategy for recruiting minorities and women and assimilating them into the corporate world. But when firms focus on this strategy, he says, women and minorities remain "disproportionately clustered at the bottom of the corporate pyramid." Turnover is high.

Under affirmative action, he says, cor-

PLANNING

How To Enhance Communication

By John L. Ward and Craig E. Aronoff

At a recent seminar, we were challenged to name the skill most important to achieving success in a family business. The answer was easy: family communication.

As we work to enhance the health of family businesses, we consistently stress two themes: communication and planning. Planning is a process we've discussed in this column many times. Communication is the skill that makes planning possible and the means through which relationships are built and maintained.

One of four working offspring in a family business recently told us: "We don't talk enough in this family. Maybe it's because when we do try to confront tough subjects, our communication skills are terrible. We get frustrated; we complain that we are not understood; we drag out old disputes."

"We usually end up avoiding important discussions. If we can't improve our communication skills, how can we handle complicated succession issues or have useful family meetings?"

Communication problems are common in all circumstances and relationships. Fortunately, principles and techniques of good communication apply in all situations.

Communication is particularly challenging and important to families because of the depth and duration of the relationships involved, the intimacy and complexity of those relationships, and the impact of family communication on personal development.

Families in business increasingly are coming to realize the importance of effective communication and how little training they have had in it. One family we know recently practiced its skills on videotape—and laughed about it for weeks. Members of another family invited a local professor to conduct an "effective listening" workshop with them.

These families understand that communication skills can't be taken for granted. Studying and practicing to-

gether is the best way to improve.

Here are a few good ideas for enhancing communication in your family:

Seek understanding, not victory. Too often, we attempt to convince one another we're right. We hope our powers of persuasion will allow us to win our point—get our way. No one listens; no one feels acknowledged; no progress takes place. If you take time to summarize and repeat what you think the other person is saying, you will have to listen more than argue.

Show interest, not neutrality. By repeating what you think the other person is saying, you're also showing respect. Good eye contact means a lot; looking bored or impatient only adds fuel.

Don't judge. Accept other people's



ILLUSTRATION: DAVID CHEN

right to their own feelings and conclusions. Psychologist and author Carl Rogers writes: "The major barrier to mutual interpersonal communication is our very natural tendency to judge, to evaluate, to approve (or disapprove)." Unconditional acceptance of one another is perhaps the most valuable trait of an effective family.

Avoid labels. Stick to how you feel about what the other person is saying, and use "I" statements, not "you" statements. For example, "I feel sad about this" is far more effective than "How can you be so stupid?"

Avoid certainty. Conclusive statements—"That will never work!"—shut off discussion. They squelch other people's ideas and often hurt other people's feelings.

Don't dredge up old disputes. Frequently, we liken a current disagreement to others in the past. Then we must defend an indictment from the past rather than debate the topic now on the table.

Complain directly. Don't go through a third party hoping to communicate with someone else. The only solution for a problem between two people is for them to address it directly.

Discussing these tips with the whole family can help build a common language for future communication on difficult issues. But technique isn't enough, of course. Communications research tells us two other ingredients are invaluable: good feelings about yourself and others, and shared hopes or goals.

Sometimes a problem cannot be addressed without pain. When attempts to discuss a problem result in unhappy experiences, we find it even more difficult to face the issue constructively later. We become "saturated with bad memories," as family expert David Isaacs, of the University of Navarra in Spain, has said. When that happens, he suggests, just go do something you enjoy together. Let the disagreement come back up later after some "good thoughts" have been deposited into the "memory bank."

We find successful business families to be very aware of this advice. They develop a regular program of doing fun things together. For some, it's a weekly golf or tennis game; for others, it's Sunday dinner. Whatever, it's a regular dose of good times together—times precious invested in positive feelings and experiences.

In addition to good feelings and good skills, the third foundation of effective family communication is a common concrete goal. What could serve that purpose better than successful continuity of the family business?

Finally, keep it all in perspective. After all, we're only human, and we're tackling the No. 1 issue in all human organizations—communication.

Know that what keeps you together is more important than what keeps you apart and that tomorrow is another day. If you can maintain respect and openness, the solution to a problem can be found—through communication.



PHOTO: J. MICHAEL KEZA

John L. Ward is the Ralph Marotta Professor of Private Enterprise at Loyola University of Chicago. Craig E. Aronoff holds the Dinos Chair of Private Enterprise at Kennesaw State College in Marietta, Ga. Both are family-business consultants.

Mark Your Calendar

June 1, New York

"Couples: Working and Living Together in the Family Business" covers such issues as communication and handling conflict. Contact the Family Business Program, Management Institute, New York University, 48 Cooper Square, New York, N.Y. 10003; (212) 998-7218.

June 6-7, New York

"Managing the Family Business in Troubled Times" is sponsored by the National Family Business Council, in Chicago. Call Lynn McBlaine at (708) 295-1040. To be repeated June 13-14 in San Francisco.

June 10-Aug. 5, New York

"Starting and Operating Your Own Family Business" is a nine-week program to be held Monday evenings. For further information, contact New York University at the address and phone number in the June 1 listing above.

July 16, Southern California

"Critical Issues Facing Family-Owned Companies," a series of seminars to be conducted throughout Southern California beginning July 16. For specific locations and additional dates, call Gerard Muttukumar at (714) 899-0577, or write to the Center for Privately Owned Companies, 6101 Cherry Ave., Fontana, Calif. 92336.

July 18-21, Snowmass Village, Colo.

The Aspen Family Business Conference is built around the traits shared by successful families in business. Contact the Bork Institute for Family Business, 117 Aspen Airport Business Center, Suite 201, Aspen, Colo. 81611; (303) 925-8555.

How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062.

CASE STUDY

Annie And The Diamonds

In the guest suite of the family ranch, after a late-night party at the country club, Annie says to her husband, Clark, a doctor: "Did you see that diamond bracelet that Billy gave Mary Jo for her birthday? I'd sure like to have something like that to wear to the hospital benefits."

Annie and Clark have come to visit her family in Texas for a few days. Annie's dad, W.J., runs an oil operation that he and his wife, Jane, inherited from her parents.

Annie's brother, Billy, is vice president of the oil company and lives just down the road from his folks. W.J. is a



ILLUSTRATION: DAVID CHEN

strong-willed Texan who has always been "mighty proud" to have his son in the business with him.

Clark's reaction to Annie's yearning is an offer to buy her an equally fancy bracelet. But she replies: "Why should you have to use our money for it? I don't

like seeing my inheritance draped around Mary Jo's wrist."

At lunch the next day with her mother, Annie raises the issue again. Jane responds: "Billy has been doing awfully good work for your father. He doesn't earn an outrageous salary, so last year, when the business showed an above-average profit, W.J. gave Billy a bonus. That's probably what he used to buy the bracelet as a gift for Mary Jo. After all, she and the kids see pitifully little of Billy when production is in full swing."

Annie is not satisfied. "I still don't think it's fair," she says. "Never in a million years would Daddy have given me, or any other woman, the opportunity he's given Billy."

Jane considers taking Annie to a jewelry store on the way home. Is that the answer?



PHOTO: CIBICK RAPPAPORT

It's Need, Not Greed

Pat Frishkoff, director of the Family Business Program at Oregon State University, in Corvallis:

Employees, owners, and family members—all different kinds of stakeholders in a family business—might expect financial returns directly or indirectly from that business.

Employees can expect reasonable compensation; the usual benefits, such as insurance, retirement, and vacation time; special benefits, such as company cars or club memberships; and motivating benefits, such as profit-sharing and bonuses.

Owners can expect return on their investment holdings. This may come as regular cash distributions or from divestiture of holdings. Family members typically receive gifts from parent-owners, sometimes small and sometimes large. They may expect, but are not guaranteed, inheritance.

Annie is simply a family member—she is not active in the business as an employee or a manager, and she is not an owner. All she can expect is gifts. She should not expect to receive a match of Billy's benefits as an employee—they are a reward to him for his work.

If Jane takes Annie to the jewelry store and buys her a diamond bracelet today, what might Annie want when Billy gets his next pay increase or bonus? Jane would do well to continue reminding her daughter that Billy's bonus is performance-based and that she cannot expect to have that type of reward matched.

Annie's seeming greed may show she needs love from her parents. She might find herself still yearning, even if her mother does buy her a bracelet.

And her parents should be cautious about upsetting Annie's husband and her relationship with him by buying such an expensive gift. He might come to feel they are usurping his role.

Jane and W.J. should spend some special time with Annie, and, if they want to buy her a gift, a gold bracelet engraved "We Love You" might work wonders. Let Annie's husband buy the diamonds.



PHOTO: GIBCOY GOLDMITH

Self-Awareness Comes First

Barbara Hollander, a Pittsburgh family-business consultant and former president of the Family Firm Institute:

What does Annie want? It is unlikely that the issue here is money or jewelry. Underneath the whining is a cry for love and attention.

All too often in family-held enterprises, money and material goods become substitutes for affection, communication, and a sense of healthy connectedness. Mary Jo's compensation for Billy's absence is a bracelet. Billy must have learned this form of barter somewhere—most likely from his family, which seems to express the need for closeness through the metaphor of diamonds and other material goods.

The desire for the basic needs of affection, acceptance, and acknowledgment spawns the disaffection that so often plays out in the form of sibling rivalry and conflict between generations. All too often, family members are unaware of what it is they really want—which is exactly Annie's problem. Annie's discontent also springs from her feeling that she is being disenfranchised from the business because she is a woman. She bemoans her lost opportunities.

First, Annie needs to reclaim her place in the family. This means becoming aware of what she really wants from other family members and learning to speak about her needs in a more direct way. Therapy may help.

Second, if Annie wants an opportunity in the business, she must let her parents know, and she must prepare herself for it. The alternative is collusion with a system that excludes women and becoming a "victim," as Annie has done.

Finally, even if she does not choose to become active in the business, she is still a potential owner. Annie should take the time to get the training she needs to be a responsible owner. The family, in turn, should invite her to participate in an ownership council, which will provide her with information she needs as well as feelings of empowerment. Most important, it will make her feel included in both the family and the business.

This is one of a series of case studies of family-business dilemmas, commented on by members of the Family Firm Institute and edited by Cleveland business consultant Ernesto J. Poza. The cases are real, but identities have been changed to protect the privacy of the individuals involved. The authors' opinions do not necessarily reflect the views of the institute. Copyright © by the Family Firm Institute, Johnstown, N.Y.

Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Meg Whittemore

RETAILING



ILLUSTRATION: DAVID ALLEN

Nuts And Bolts

I am interested in starting a small hardware store. I need information on start-up and distributors of hardware products.

L.S., Sheridan, Ark.

Call Mary Hannum, information-services manager for the National Retail Hardware Association, at (317) 290-0338, extension 233; or write to her at the association, 5822 W. 72nd St., Indianapolis, Ind. 46278.

She will answer your questions and send you a packet of information on starting a hardware store.

The packet covers the basics of business start-up and includes information on how the hardware wholesale/retail relationship works.

Also included are facts and sources of

help on store planning, insurance, and market analysis, plus the association's annual survey of business costs in the hardware industry.

For information on distributors, contact the National Wholesale Hardware Association, which publishes a membership directory of 90 distributors and 200 manufacturers of hardware products. For nonmembers, the publication costs \$100. To order, send a check to the National Wholesale Hardware Association, 1900 Arch St., Philadelphia, Pa. 19103.

Machine Gum

We are interested in placing chewing-gum vending machines in selected locations. We need the names and addresses of vending-machine publications.

M.B., Hialeah, Fla.

American Automatic Merchandiser is a monthly magazine that covers all aspects of the vending industry for food, beverages, and merchandise. The publication costs \$25 a year. For information on ordering, write or call the magazine's circulation department at 1 East 1st St., Duluth, Minn. 55802; 1-800-346-0085.

For information on products, trends, and developments in the vending-machine industry, try *Vending Times*, a monthly magazine published by Vending Times, Inc. It costs \$30 a year and is available from the publisher at 545 Eighth Ave., New York, N.Y. 10018; (212) 714-0101.

To request a starter packet, to order publications, or to ask for more information, write or call the National Restaurant Association at 1200 17th St., N.W., Washington, D.C. 20036-3097; (202) 331-2429.

FRANCHISING

Home Work

Please give me the address for ordering the book *Franchises You Can Run From Home*.

E.R.S. Jr., Plant City, Fla.

The book, by Lynie Arden, is available from John Wiley & Sons, Inc., 1 Wiley Drive, Somerset, N.J. 08875-1272; (201) 469-4400. It costs \$14.95.

COMPUTERS

Bytes And Overbites

We have a dental business and are interested in updating our computer system. We are also creating a satellite office about 25 miles away, and we want to connect the two facilities by computer, at a practical cost.

Dr. T.J., Dearborn, Mich.

There's no single formula for updating computers, but practical guidelines on the many aspects of improving a system are offered in the April 1991 *Nation's Business* cover story, "Upgrade For Growth."

To obtain a reprint of the story, complete the order form on Page 77 of this issue; ask for Reprint No. 8827.



As far as connecting two systems at that distance, your best bet is a modem (about \$150) in each location with good communications software, such as Procomm Plus. This arrangement will allow people in one location to copy files from the other location.

A second option is to make one system a "captive" of the other. In that situation, while a person at a terminal at one location is using a terminal at the other ("remote") location, no one else can use the terminal at that remote location (it's a captive). The cost is relatively inexpensive (\$100 to \$200 per machine) by using software such as PC Remote or PC Anywhere, in addition to the cost of the modems.

A third, and far more expensive, option is to have the two be interactive—a "wide area network."

Your needs should be well served by one of the first two options.

FAST FOOD

A Taste Of Thailand

I want to open a fast-food restaurant that offers Thai food. I need help on how to get started.

K.F., Boston

The National Restaurant Association offers a free starter packet for would-be restaurateurs. The packet includes articles on how to open a restaurant, a publications list, trade-show listings, and information on the association's annual show, scheduled for May 18-22 in Chicago.

Another source of information is *The Market for Ethnic Foods*, a study by the association, which is \$27.50 for members and \$55 for nonmembers.

INTERNATIONAL TRADE

Show Times

How do I find a list of all the trade shows in the U.S. and in Europe?
B.C., Appleton, Wis.

Tradeshow Week magazine publishes *Tradeshow Week Data Book*, which is the most comprehensive listing of major trade shows in the U.S., Canada, and Europe. It costs \$265. For more information or to order the annual directory, call 1-800-521-8110.

FINANCING

U.S. Capital

Are there federal resources for first-time minority business ventures?
H.E.J., Huntersville, N.C.

The Small Business Administration (SBA) licenses and provides financial help for small-business investment companies and minority-enterprise small-business investment companies. These investment companies' sole function is to provide venture capital in the form of equity financing, long-term loans, and management services to small firms.

For information, call the SBA's Office of Finance and Investment at (202) 653-6470.

OFFICE SUPPLIES



Company Stores

I am interested in opening an office-supply company. Where can I get information on start-up costs and suppliers?
T.M.H., Morris, Ill.

A good place to start is the National

Office Products Association, whose members include companies that make, distribute, or sell supplies, furniture, or machines used in offices.

The association's *Retail Store Management Handbook*, available to non-members for \$45, explains how to manage a retail office-products store. Its topics include the role of the store manager, leadership, self-management, hiring, training, supervision of employees, work scheduling, compensation, establishing policies and procedures, increasing store traffic, merchandising, product selection, pricing, and money-handling procedures.

The association also offers a list of wholesalers.

To order the handbook, send a check to the National Office Products Association, 301 N. Fairfax St., Alexandria, Va. 22314; (703) 549-9040.

Telephone orders require a major credit card.

HOW TO ASK

Have a business-related question? Send your typewritten query to Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062. Writers will be identified only by initials and city. Questions may be edited for space.

The editors of Direct Line have devel-

oped *The Small Business Resource Guide*, a new booklet containing the most-asked questions. This booklet is now available for \$5.95 a copy (plus \$1 for handling). To order, send a check or money order to the Circulation Department at the address above.

From the editors of Direct Line

The Small Business Resource Guide

What You Need To Know About Starting And Running Your Business

Nation's Business brings you answers to the most frequently asked questions from Direct Line, the popular advice column for small-business owners. The guide contains useful advice about: ♦ setting up a business ♦ marketing ♦ retailing ♦ exporting ♦ franchising ♦ trademarks and copyrights ♦ patents ♦ financial planning ♦ managing people ♦ and much, much more.

Nation's Business' **The Small Business Resource Guide** is a must for owners of new and existing businesses in the 1990s. Available for only \$5.95 + \$1.00 for shipping and handling. Orders must be prepaid. Write to: Nation's Business, Circulation Department, 1615 H Street, N.W., Washington, D.C. 20062.

NB0691

From the editors
of Direct Line

The Small Business Resource Guide

*What You Need To
Know About Starting
And Running Your
Business*



Nation's Business

YES, please send me

The Small Business Resource Guide

Or Call (202) 463-5433

Check enclosed for \$6.95. _____
(Include \$1 for shipping + handling)

Please bill my credit card. _____
(Not applicable to single copy requests)

Visa _____ MasterCard _____ American Express _____

Card No. # _____ Exp. Date _____

Signature _____

Address _____

Company _____ Title _____

City _____ State _____ Zip _____

Nation's Business, Circulation Department,
1615 H Street, N.W., Washington, D.C. 20062

New
1991 Edition

To Your Health

Managing well includes managing your own health; here is advice to help you do that better.

By Marcia J. Pear

Testing, One, Two . . . Should You Have A Checkup?

When you were a child, your parents probably made sure you had an annual physical exam. But now that you're an adult, you may maintain your car more faithfully than you take care of your own body.

How often you need a checkup depends on your age, sex, health history, and lifestyle. For healthy adults, the American Medical Association (AMA) now advises a general checkup every five years until age 40, then once every one to three years. Adults over 60, who are generally more susceptible to illness, are advised to check in with a doctor annually, even in the absence of symptoms.

By the same token, if a member of your immediate family (a parent, sibling, aunt, or uncle) has a serious illness, such as diabetes, you may want to be examined every year or two even if your age alone would indicate less frequent exams; you may have a genetic predisposition to the same kind of problem.

A physical today can differ markedly from the traditional head-to-toe exams of your childhood. Checkups can now include electrocardiograms (EKGs) that record heart activity, tests to measure blood sugar and cholesterol levels, and stress tests.

How can you determine which procedures are really necessary?

"The first step for a healthy person is to have a regular source of medical care," says Dr. Tom Houston, who is director of the AMA's preventive-medicine department and is also a family-practice physician by training. Your primary-care physician can fall into one of four categories: family-practice doctors, pediatricians, obstetricians/gynecologists (OB/GYNs) for women, and internists. It's possible for each member of a family to have a different primary-care physician.

In contrast to the standardized approach of years past, today's exams tend to focus on an individual's vulnerability to specific diseases. "Your doctor should

take a thorough family history," Houston says, by asking about your lifestyle, your habits (how regularly you exercise, for example), major changes such as marriage or divorce, risky behavior such as smoking or sunbathing, and any specific physical symptoms you may have. Your answers to these questions will lead your doctor down different paths in terms of counseling, testing, and treatment.



PHOTO © ROBERT MCG. PARRISH—POLAROID

A medical checkup can require more than a physical.

The new emphasis on preventive counseling is rooted in an exhaustive, five-year medical study. A U.S. Department of Health and Human Services task force, assigned to evaluate the measures used to screen for the country's major health problems, reviewed all the existing literature on more than 100 medical tests. The group concluded early in 1989 that the greatest payoff comes from lifestyle changes—quitting smoking, reducing fat in one's diet, and so on—followed in importance by selective testing, immunizations, and an understanding of individual risk factors.

So what can you expect from a physical today?

In addition to the medical history, which will help your doctor establish a baseline reference for future visits, you may require a tetanus-diphtheria booster shot.

Some tests are essential; even if you're young and healthy and you're getting a general checkup only every five years or so, you should have these tests more often. They include a blood-pressure test, which you should have each time you see a doctor, and at least once every two years; Pap smears, pelvic exams, and breast exams for women, every one to three years; genital/prostate exams for men, the same. After you reach age 40, you and your doctor should discuss cholesterol checks and blood tests for colorectal cancer—and, if you're a woman, mammograms.

Despite broad agreement about these basics, the medical community has reached no consensus on which of the myriad additional tests are worthwhile. Some of the task force's conclusions—that routine chest X-rays in people without symptoms are superfluous, for example—have provoked strong dissent.

With disagreements like these among the experts, it's not surprising that even the most knowledgeable health-care consumers are confused as to which tests they need.

The most persuasive answer, says Dr. Glen Aukerman, president of the American College of Family Physicians, in Kansas City, Mo., lies in your personal history. "For instance," he says, "if you're 40 and your father died of a heart attack at age 45, we'd see what genetic and lifestyle factors could be modified in order to reduce your risk. Smoking, cholesterol levels, blood pressure, and exercise all play a part in heart disease. So in this case, a cholesterol test and a treadmill test would be appropriate."

Aukerman takes a dim view of the storefront medical screenings proliferating in shopping malls, supermarkets, and other places.

Instead of taking tests indiscriminately, he maintains, "people need to learn to pay better attention to the signals they're getting from their bodies. Doing unnecessary tests on an otherwise healthy person wastes a lot of resources that could be better spent on people who can't afford health care."

Marcia J. Pear is a writer specializing in health issues and principal of Pear Communications, a San Francisco marketing communications firm.

It's Your Money

A monthly survey of strategies, tactics, tips, and suggestions to help you with your personal finances.

By Peter Weaver

INVESTING

Annuities: An Old Product With Some New Wrinkles

Brokers, bankers, financial planners, insurance agents—everybody seems to be pushing annuities these days.

The concept has been around for ages. Originally, there was a simple contract. You paid your money up front, and an insurance company guaranteed you a monthly benefit check—for life—after you reached a certain age.

Nothing could be simpler. But now the industry has come up with all sorts of investment and payout options. Depending on your financial situation, some annuity products can be excellent investments; others are of dubious value.

If, for example, you are bumping up against the caps that the Internal Revenue Service imposes on how much you can put into your 401(k), Individual Retirement Account, or other such retirement plan, you can build up additional tax-deferred funds through a carefully designed deferred annuity.

If you still have room for investment in your IRS-qualified retirement plans, they are usually a better choice, because your annual contributions as well as the accumulating funds can be subtracted from your adjusted gross income. You get a double dip.

Investors who are looking for annuities to augment their employment-based retirement funds will find three basic options:

Fixed annuity. This is the traditional product, where you put in your money and are guaranteed a fixed rate of return for a specific period (from a few years on up to an entire lifetime). But as with any fixed-rate investment, you may see inflation eat away the value of your annuity.

Variable annuity. Instead of your money being put into a conservative,

fixed-rate investment, your annuity plan is "wrapped" with a diversified stock and bond market portfolio. Your benefit fund tends to grow bigger, faster. But higher rates of return are not guaranteed.

Variable annuity with guarantees. This product gives you a mix of the fixed and variable annuity, providing some guaranteed minimum return but

track record." In a way, it's like buying a mutual fund. Some variable-annuity portfolio managers do a lot better than others.

But how can you tell who will do the best job?

"You can check performance records through Lipper Analytical Services and Variable Annuity Research and Data Service (VARDS)," Dunbar says. Most sales agents—brokers, planners, and in-



PHOTO: CLIFF ZARUBA—POLIC, INC.

The kind of annuity you choose should be determined in part by your age.

with a chance that your overall fund will grow faster.

"If you are in your 40s or 50s," says Wesley Morgan, an annuity specialist with Professional Insurance Planning Inc., of Winston-Salem, N.C., "you may be better off with a variable annuity." However, as you get older, up into your 60s, he continues, "you're almost always better off to seek additional guarantees, with some fixed-annuity features in the package."

When you are buying a variable annuity, or a mix of fixed and variable, according to Scott Dunbar, annuity-project manager with M Financial Group, of Portland, Ore., "you have to pay careful attention to the seller's investment

surance people—have access to these rating services.

In addition to making certain that the portfolio manager has a good investment track record, it's important for you to know what kinds of commissions and fees the insurance company and its agent are charging.

"It pays to do comparison shopping," says Dunbar, "because some companies have lower commission rates than others."

According to Morgan, "You should also check each company's withdrawal rights, bailout provisions, and surrender charges."

The Lipper and VARDS rating services also provide information on these vital details.



Peter Weaver is a Washington-based columnist on personal finance.

FOREIGN TAXES

Getting Rebates On Purchases Abroad

If you travel abroad, chances are you'll buy some clothing, jewelry, perfume, or other souvenirs.

"Depending on how much you buy and where you buy it," says Jeannie Weaver, executive vice president of the Ruesch International currency-exchange firm, "you can save up to 20 percent off the purchase price by knowing how to use the VAT [value-added tax] refund procedure."

Great Britain, France, and other countries impose value-added taxes on all goods in a manner similar to our sales tax.

If you buy a minimum amount—perhaps \$50 to \$100—in one store, you may receive a VAT-refund form to fill out and have stamped by customs at the airport when you leave the country. This form can be mailed back to the store from the airport or from home. Several months later, you'll get a refund check for the VAT you paid.

So far, so good.

But the check is usually in the curren-



PHOTO: © E. BORDARDI—POLY, INC.

Foreign tax rebates can cut your travel costs—if you know how to get them.

cy of the country where you made your purchase. Most banks, Weaver says, charge as much as \$25 to convert foreign currency into dollars, and you may have to wait six weeks or longer for the foreign VAT-refund check to clear before you get your money.

Ruesch International, Weaver says,

"will convert VAT refunds for \$2 a check, and you'll get your money in a few days." For more information, call 1-800-424-2923.

Thomas Cook Foreign Exchange (formerly Deak International) also services VAT-refund checks. For more information, call 1-800-368-5683.

FINANCIAL MANAGEMENT

Debit Cards: Pros And Cons

Debit cards look like regular Visa or MasterCard credit cards, but they act like plastic checks. When you use a debit card, your checking account, special brokerage account, or money-market fund is quickly (within a day or two) accessed for the full amount. When you make purchases with a regular credit card, you can have a grace period, or "float," of up to 40 or 50 days before you have to pay up or incur credit charges.

A regular credit card also has other advantages, according to Geri Detweiler, a spokeswoman for Bankcard Holders of America, a consumer group. "If a thief uses your credit card to fraudulently make purchases or access your account," she says, "the most you can lose under the law is \$50."

But when a thief gets your debit card, according to Detweiler, "if you don't report the theft promptly, you could lose your entire checkbook [or money-market fund] balance plus any overdraft line of credit you have." And when you buy something with a credit card, the law says you can put a type of stop-payment order through the issuing bank if the merchandise is faulty, was misrepresented, or didn't arrive as promised.

So, why would anyone want debit cards? "They're convenient," Detweiler says, "and they impose a form of discipline on your spending habits." The money comes right out of your account. You can't rack up a big revolving-credit balance.

INVESTING

Drawing More Cash From Your Mutual Fund

When you invest in a mutual fund, you routinely get several choices as to how you want the dividends or capital gains distributed. You can have all profits reinvested to make your share grow faster, or you can have dividends, or capital gains, or both sent back to you in monthly or quarterly payments.

Still another option is a withdrawal plan that involves systematically dipping into the principal to augment dividend and capital-gains income.

"Although mutual-fund withdrawal plans are most commonly associated with payouts to the widowed and retired," says Sheldon Jacobs, publisher of the *Handbook For No-Load Fund Investors*, "they can serve other objectives equally well." They can be used to help care for dependents living on their own, for example, or to pay college expenses or make alimony or mortgage payments.

Let's say you have \$100,000 that is growing at 9 percent a year, but you want more income, so you sign up to withdraw your money at a 12 percent annual rate, to give you \$1,000 a month.

"Your principal under this plan," Jacobs says, "will last 16 years." If you choose an 11 percent draw, the principal will last 19 years, and at 10 percent it will stretch out to 26 years. Mutual funds have tables that show how long the principal will last at various interest-rate paybacks and how much can be withdrawn monthly to have the principal last for set periods of years.

EDUCATION

"Public Ivy" Universities And The "Designer Labels"

With the annual cost of attending a big-draw, "designer-label" private college or university expected to average \$21,000 a year this fall, increasing numbers of recession-strapped parents are shifting their sights to high-quality, lower-cost state institutions. These are "the public ivies," says Joe Re, executive vice president of Octameron Associates, which publishes books on college scholarships, loans, grants, and other financial aid.

The University of Michigan, for example, has excellent undergraduate engineering courses, Re says. The University of Iowa has a highly respected English department. The University of Texas is known for meteorology, computer sciences, and petroleum engineering.

Many state universities, however, "are hiking their prices for out-of-state students—some significantly," Re says. The University of Vermont, for example, has boosted its tuition to \$13,000 for out-of-staters, while state residents pay \$4,000. Tuition at the University of North Carolina at Chapel Hill is \$5,750 for nonresidents, \$1,084 for residents.

In many cases, Re explains, "you may be paying three to four times more than state residents, but it's still a good deal compared with what most of the private schools are asking."

For a free *College Money Guide* pamphlet, send a self-addressed, stamped envelope to Octameron Associates, P.O. 2748-P, Alexandria, Va. 22301.

For Your Tax File

What you need to know to keep taxes from overtaxing you.

By Albert B. Ellentuck

RETIREMENT PLANS

A Break For Older Business Owners

Qualified pension and profit-sharing plans still provide fine tax shelters for business owners and employees.

Many companies like to use a profit-sharing plan rather than a pension plan, however, because it provides greater flexibility. The owner can decide at the end of each year the amount that the company will contribute to the plan. Or the contribution can be geared to a percentage of profits. In either case, contributions need not put an excessive burden on corporate profits.

A traditional pension plan, on the other hand, commits a company to a specific dollar amount of contribution each year regardless of the economic conditions.

A pension plan may make more sense for a larger company with a stable earnings history. For the smaller company, however, where profits can fluctuate widely, profit sharing usually is more popular.

In addition, a profit-sharing plan can be simpler to comprehend and operate, and it does not require the services of an actuary.

A smaller company may find a pension plan to be useful if the owner is older than the employees because it requires funding at a faster rate so that



PHOTO: HENLEY & SAVAGE—THE STOCK MARKET

An age-based profit-sharing plan can benefit an older business owner.

the commitment of a fixed retirement benefit can be met for older employees. A pension plan's inflexibility can prove to be a problem if profits drop, however.

The Internal Revenue Service has approved a new type of profit-sharing plan that generally allows older business owners to contribute more to their personal profit-sharing plan than before. Under this new approach, called an age-based profit-sharing plan, the company can allocate contributions based on both the salary and the age of a worker.

Because many small-business owners are older than their employees, this age-based approach allows larger contribu-

tions for the business owners. It also allows larger contributions to profit-sharing plans for older employees who may need to build up their retirement funds more quickly during the shorter period remaining until retirement.

For example, consider a company with a 55-year-old owner earning \$250,000 in salary, a 35-year-old employee making \$100,000, and a 30-year-old employee making \$50,000. Under the traditional profit-sharing plan, the company would contribute 15 percent of each employee's salary—\$37,500 for the owner and \$15,000

and \$7,500 for the other two employees, respectively. The total outlay would be \$60,000.

Under an age-based profit-sharing plan, the company could contribute the same \$60,000—or 15 percent of the total of the three salaries—but in proportions based on the three participants' ages. The allocations—according to an accounting formula known as "present-value tables"—would be \$48,360 for the owner, \$7,200 for the 35-year-old, and \$4,440 for the 30-year-old.

Using the age-based profit-sharing plan, the owner would have \$10,640 more of the total \$60,000 outlay for the profit-sharing plan, or a total of \$48,360, without the inflexibility of a pension plan.

BUSINESS EXPENSES

A Home Away From Home

Business people who are away from home on business can deduct their costs for meals and for lodging—usually a hotel room or an apartment. The Internal Revenue Service does not always agree with the taxpayer, however, on what it means to be away from home.



Tax specialist Albert B. Ellentuck is a partner in the Washington law firm of Colton and Boykin. Readers should see tax and legal advisers on specific cases.

A businessman we'll call Andrews owned and operated a swimming-pool company in Massachusetts and maintained an office in his home for the business. He also spent his winter months in Florida, where he owned and operated a business for breeding and racing horses, and he was a consultant to a swimming-pool company run by his son. For the period he spent in Florida, he bought a condominium unit, and he spent as much time in Florida during the year as he did in Massachusetts.

Andrews claimed a deduction for his meals while in Florida and also for the real-estate taxes, mortgage interest, utility expenses, insurance, and maintenance on the condominium—which he treated as "lodging" expenses.

The IRS challenged the deductions, and the case went to the U.S. Tax Court. The court held that he had two tax homes, one in Florida in the winter and one in Massachusetts in the summer.

Therefore, since his second tax home was in Florida, he was not "away from home," and he could not claim business deductions for his Florida meals and lodging.

This was one time that having two homes was not an advantage.

However, if Andrews had set aside space in his Florida condominium as an office for his business, he might have received a home-office deduction for the cost of that portion of the condo that was used exclusively for business.

Classified Ads

Classified Rates And Information

To place a classified ad CALL TOLL FREE, 800-424-6746 (in Washington, DC call 483-6640) or write Nation's Business Classified, PO Box 1200, Washington, DC 20013. Closing date for advertising is five weeks preceding date of issue. Rates are based on frequency at a per line per insert cost as follows:

1x	3x	6x	12x	—frequency
\$53	\$47	\$41	\$28	—line rate

Ad minimums: solid set, 3 lines; display, 1 inch.

How To Reply To Box Numbers

Box (number in ad), Nation's Business Classified, PO Box 1200, Washington, DC 20013.

ADVISORY SERVICES

TRADEMARK SEARCHES, EXPEDITED REGISTRATIONS. Keep your good name! Intent-To-Use Applications. Brand-name creation. TRADEMARKERS 301-229-7777.

AMUROPE INTERNATIONAL Marketing & Consulting Specialists in consulting small & medium sized companies in their European marketing needs. For information contact: Amurope, Inc., 131 Manorbrook Lane, Cleveland, OH 44022. 216-232-0168. Fax: 216-232-0226.

AUTOMOTIVE

SEIZED CARS, trucks, boats, 4wheelers, motorhomes, by FBI, IRS, DEA. Available your area now. Call (805) 582-7595 Ext. C-1389.

BUSINESS OPPORTUNITIES

AS SEEN ON TV! Earn a good monthly income processing FHA mortgage refunds. ONLY SERIOUS INQUIRIES PLEASE!

(1-800-235-5342)

BELIEVE IN YOURSELF

Join the ranks of America's Entrepreneurs
TAKE THE FIRST STEP Towards
FINANCIAL INDEPENDENCE.

Become a Comp-U-Diet DEALER if you qualify.
\$485 provides PROFIT POTENTIAL of \$1,200/week & up.
No experience necessary.

We do all the computer processing.
CALL NOW for a FREE mail out booklet
1-800-942-9900 Ext. 303 M-F 9-5 EST
United American Marketing, Inc.
28003 Center Oaks Court, Wixom, MI 48393

HIGH PROFITS WITH YOUR COMPUTER

Each Color Story an Educational Tool
Creating Children's
Personalized Books

- High Quality Hard Bound Books
- Home Based or On Location
- Limited Number of Dealers Available

For more information call or Write:
MY STORY BOOKS, INC.
11408 Audelia Rd., • Suite 4845
Dallas, TX 75243
1-800-245-7757

BUSINESS OPPORTUNITIES

LET THE GOVERNMENT FINANCE your small business. Grants/loans to \$500,000. Free recorded message: 707-449-8800. (H52)

MANUSCRIPTS WANTED, all types. Publisher with 70-year tradition. Free examination, "Guide to Publication." Call toll free 1-800-695-9599.

\$1,000's Weekly Starting Successful mail order business from home. Guaranteed success. Free info, send SASE to: RS Publications, 19832 N.E. 1st Ave., Miami, FL 33179.

BECOME A REAL ESTATE APPRAISER. \$100,000 plus potential. Home study. Earn professional certification. FREE literature. 800-362-7070. Dept. RG637.

BECOME DEBT FREE. Start your own profitable home business. Free info. Write to: AMD Enterprises, 2627 Hixson Pike, Ste. 167, Chattanooga, TN 37415. 615-756-0702.

NEW RESTAURANT BUSINESS? DON'T open your new restaurant without calling us first! We'll save you big losses! 1-305-970-1120: The Restaurant Doctors®.

FREE REPORT: Earn up to \$7,000 monthly as Loan Broker without experience or investment. Start part-time. Financial, Box 3578-BN, Anaheim, CA 92803.

"SELL MONEY." Become a Loan Broker! Free details. Dept. NB-226, Financial Planning, 126 13th Street, Brooklyn, NY 11215, (718) 758-6803, Ext. 299 (24 Hrs.)

HOME IMPORT MAIL ORDER BUSINESS. Start without capital. FREE REPORT, Mellinger, Dept. K1556, Woodland Hills, California 91367.

BIG INCOME AS A REP

How to get started. Lines offered. Group programs. United Assn. Manufacturers' Reps, Box 6266-N, Kansas City, KS 66106. (913) 268-9466.

EARN QUICK CASH: Buy Sell Government seized houses, autos, computers, boats, furniture, stereos, etc. Everything dirt cheap. Free Details: Seizures, Box 4309-BN, West Covina, CA 91791.

MAKE YOUR DREAM COME TRUE. EARN \$60,000 YEARLY REPAIRING, NOT REPLACING, SMALL CRACKS IN WINDSHIELDS. TOLL FREE 1-800-826-8523 (US/Canada) or write: GLASS MECHANIX, INC., 10170 NW 47th ST, Sunrise, FL 33351.

MAILORDER OPPORTUNITY! Start profitable home business in America's fastest growing industry. Nationally known authority will teach you. Write for free book, sample catalog, plus details. No obligation. Mail Order Associates, Dept. 61, Montvale, NJ 07645.

\$20,000 INCOME IN JUST 7 WEEKS*

#1 Spare Time Money Maker!

Work from home pick own hours. No selling. No inventory. No multi-level. Almost no overhead. Age, location, experience not important. Tape and full report free phone 805-646-1400 Mon-Fri 9-5 or write today

**FREE AUDIO
CASSETTE
& 40-Page
REPORT**

*Publicly Documented
REAL MONEY
206-K Signal St. Dept. NB
Ojai, California 93023

BUSINESS SERVICES

POLISHED SALES PROSE BY FAX

Rent an experienced pro to write persuasive ads, brochures, sales letters, newsletters, direct mail packages. Fast & reliable. For details send fax to: Rent-A-Writer, 800-424-0143.



CROSS OUT THE CROOKS

Use HONESTY TEST instead of POLYGRAPH.
CROSS OUT crooks before you hire.
Learn How PDS Corp.
Box 48232, Chicago, IL 60648 or
1-800-621-4008.

BUSINESS SERVICES

**SELLING YOUR BUSINESS? Get top \$5! Broker's clear new guide shows how! Money back guarantee. \$14.95 PP: Ellis, Box 19865-N, Raleigh, NC 27615.

HOW TEAMWORK WORKS new 35 min. video teaches teamwork FUNDAMENTALS. 3 day preview \$35 add S&H. New book, THE EXPERT'S GUIDE TO PROFESSIONAL PRESENTATIONS \$6.50 prepaid only, incl. S&H. Both are ideal for business, consulting & collegiate applications. Book FREE with video preview. Tec-Scan, Inc., 8052 Burling Rd., Grand Blanc, MI 48439.

THE EMPLOYER'S GUIDE TO ADMINISTERING A HAZARDOUS MATERIALS COMMUNICATION PROGRAM. THE EMPLOYEE'S GUIDE TO THE "RIGHT TO KNOW" LAW & THE USE OF HAZARDOUS MATERIALS. These easy to follow modular books are being used by major corporations, professionals & colleges. Recommended by Michigan Dental Assn. \$34.95ea., VISA, MC. 10-day money back guar. Baker College Publ. Co., G-1050 W. Bristol Rd., Flint, MI 48507. 313-766-4200, FAX 313-766-4049.

REG. PATENT ATTORNEY provides patent services & products for inventors nationwide via mail at affordable fees & prices. Quality services to obtain patents provided at low below-market fixed fees. Studio produced 30-minute VHS video tape with professional narration & extensive graphics, on patent, trademark, copyright & trade secret rights arising in product design project available at \$39.50; audio tape at \$14.50; or both tapes at \$49.50, plus \$2.50 S&H. For free info about patent services & products or to order, contact: John F. Flanagan, Reg. Patent Attorney, PO Box 4308, Boulder, CO 80306, (303) 449-0884. Fax: (303) 449-3532. MC or VISA accepted.

HAS THE RECESSION MADE YOU A LIABILITY?

You can have the professional service of an outplacement firm from your home. Our Personality Evaluation Program can help you unlock your hidden talents & lead you to success. This is the same system used by professionals. What work characteristics do you possess? What motivates you? How does your personality fit the job you want? How much stress can you manage?

Send resume with check or m.o. for \$88.00 (CT residents add 6% sales tax) to: The Pepper Ridge Group, PEP Dept., 45 High Ridge Rd., Ste. 229, Stamford, CT 06905.

We'll send you our PEP kit with all instructions to get you started with the career you've always wanted.

PROFIT AND PEACE OF MIND CAN YOUR INVESTMENTS EARN 40% ANNUALLY?

An impeccably managed futures portfolio.
Principals only. Call for full disclosure.

1-800-533-0103
PHOENIX FUTURES INC.
M.J. Jacobson, President-Founder

CARPET

CARPET-VINYL-HARDWOOD. BUY DIRECT & SAVE 50-70%. All Major Brands. Select brand, style, color. 1-800-548-5815. Free samples. TC Distributor, Dalton, GA.

TREMENDOUS SAVINGS ON MAJOR BRANDS OF CARPET
From the Carpet Capital of the World
FEATURING CARPETS OF ANSO V WORRY-FREE
"Built-in Resistance to Stain, Soil, Static, & Wear"
Call or write for brochure and samples. BECKLER'S CARPET OUTLET, INC., P.O. Box 9, Dalton, GA 30720. Call 800-232-5537. Established 1949.

Buy direct from mill outlet and save!

Buy Direct. Save 40 to 50%
Barrett's "CARPET MILL STORE"
(A MILL OWNED OUTLET)

BIG SAVINGS — All qualities business and home carpets. All major fibers including Dupont Stainmaster®, Allied Anso V Worry Free®, Monsanto Wear Dated Stainblocker®, Call, visit, or write requirements, with \$10 for samples (refundable upon return or purchase.) 1-75, ext 135, (3004 Parquet Rd., P.O. Box 2045, Dalton, GA 30722. Ph: 1-800-241-4064, ext. 79. GA: 1-800-447-2114.

COMPUTERS/ACCESSORIES/SOFTWARE

PC USERS - Make money doing electronic data transfers for the government using your modem. **FREE DETAILS.** GLCMB, P.O. Box 66286, Roseville, MI 48066-6286.

FREE SOFTWARE PROGRAM DISKS. Send \$3.00-54H. Includes catalog for hundreds of low cost IBM/PC programs. Datamax, 115 E. Vermijo, Colorado Springs, CO 80903-2004.

NEW! UNIVERSAL MEMBERSHIP MANAGEMENT SYSTEM FOR PC. Membership, letters, planning, attendance, billing, contributions - Clubs, Organizations, Churches 903/876-2224.

1991 ACCOUNTING SOFTWARE SURVEY
Reviews and rates today's leading accounting packages to help you select the right system for your business. \$59. Call CTS; 1-800-433-8015, Rockville, MD.

MARYMAC INDUSTRIES INC.
Our 15th year of DISCOUNTS
Tandy® Computers Radio Shack® Phones
...AND MORE
Fgt. Prepaid. Save Tax
Toll Free 800-231-3680
22511 Katy Fwy., Katy (Houston) TX 77450
1-713-392-0747 FAX: (713) 574-4567

EDUCATION

KENT COLLEGE FREE CATALOG. Specialized Professional Degree Programs BS/MBA. Completely off campus. 1-800-234-7986, ext. 804, Mandeville, LA 70470-8740.

FINISH BA/MS/MBA/PhD/JD by corr. CityUnivLA, 3960 Wilshire Blvd., LA, CA 90010. Degree Prog. for orgs./co's. 60 sem. hrs. reqd. 800-262-8386/213-382-3801.

FREE COLLEGE TAPE External Degrees Business/Public Administration LAW Graduate/Undergraduate, Financial Aid. (800) 759-0005, ext. 815. LASALLE UNIVERSITY Mandeville, LA 70470-4000.

PARALEGAL GRADED CURRICULUM. Approved home study. Most affordable & comprehensive. 100 years of legal training. **FREE CATALOG.** 1-800-826-9228. BLACKSTONE SCHOOL OF LAW, P.O. Box 871449, Dept. NB, Dallas, TX 75287.

BACHELORS, MASTERS, DOCTORAL DEGREES
Non-residential programs. Send resume, mention Academic Field, and we'll tell you the credits you've already earned from work experience. No Obligation. **SOUTHWEST UNIVERSITY,** 2200 Veterans Blvd., Kenner, LA 70062. (800) 433-5925 or 433-5923.

Fully Approved University Degrees!
Economical home study for Bachelor's, Master's, Ph.D., **FULLY APPROVED** by California State Department of Education. Prestigious faculty counsels for independent study & life experience credits (5000 enrolled students, 400 faculty). **FREE INFORMATION** - Richard Crews, MD (Harvard), President, Columbia Pacific University, Dept. 6J91, 1415 Third St., San Rafael, CA 94901. Toll free: 800-227-0119; CA: 800-552-5522 or 415-459-1650.

EXECUTIVE GIFTS

*****WATCH REPLICAS*****
GUARANTEED LOWEST PRICES! Warranty! Goldplated! Exact weight! **LIMITED FREE PROMOTIONS!** CALL NOW (404) 963-3USA.

FRANCHISE OPPORTUNITIES/SERVICES

THE TAYLOR REVIEW
EMPLOYMENT VERIFICATION SERVICES
EMPLOYMENT VERIFICATION TRAINING
High Income, providing
Applicant Verification for employers.
Low Training cost.
1-800-442-5393

FRANCHISE OPPORTUNITIES/SERVICES

THE SPORTS SECTION. Lucrative Fun Youth Sports Photography. No photo experience required but sales helpful. \$15-35K total investment. 15% down. 1-800-321-9127.

FRANCHISE YOUR BUSINESS
With the leading consulting firm in the country.
Franchise Consulting Group, Inc. (800) 358-8011.

THE FRANCHISE FINDERS
Franchise seekers are raving! We match franchises to your individual interests & budget! Amazing results. Be pre-qualified, call today: 800-785-8546.

ALL NEW 1991 FRANCHISE ANNUAL DIRECTORY fully describes 4,783 franchises. 635 new listing! Hand-book section describes pros and cons, franchising trends and how to investigate the franchisor. \$39.95 inclusive. Money back Guarantee. **INFO FRANCHISE NEWS,** 728 K Center St, Lewiston, NY 14092.

FACSIMILE MACHINES

FAX MACHINES **FAX PAPER**
Japanese fax paper starting from \$3.50 roll. Free fax paper with every machine purchase. Call us today!!
UNITED WHOLESALE 1-800-365-8866

FREE FAX PAPER WITH EVERY FAX MACHINE

TOP DISCOUNTS

ON SHARP • MURATA RICOH • PANAFAX • XEROX • CANON

WE SELL AT
THE BEST PRICES IN THE COUNTRY WITH FULL SERVICE & TRAINING

CALL US TODAY
FAX OF AMERICA
1-800-342-FAXX
IND. CALL - (219) 256-7019
AMERICA'S LOW PRICE FAX DISTRIBUTOR NF

HOME/OFFICE FURNISHINGS

TREMENDOUS SAVINGS ON MAJOR BRANDS OF FURNITURE
Call or write Loftin-Black Furniture Co.
111 Sedgehill Dr., Thomasville, NC 27360
CALL TOLL FREE 1-800-334-7338
(In N.C. call 919-472-6117)
NATIONWIDE HOME DELIVERY

IMPORT/EXPORT

HOW TO IMPORT/EXPORT
Sources, etc. Kitco, Drawer 6266-N, Kansas City, Kansas 66106.

DEVELOP EXPORT MARKETS FOR YOUR PRODUCTS
FIVE CONTINENT ENTERPRISE, INC.
714-475-3649

INCENTIVE GIFTS & PREMIUMS

IMAGE BUILDERS

EMBROIDERED CAPS AS LOW AS \$4.29
IMPRINTED CAPS AS LOW AS \$2.89

IMPRINTED MUGS FROM \$1.59
MIN QTY 144 - 1 COLOR

CALL FOR FREE CATALOG

The Corporate Choice
800-792-2277 • In CA 800-826-8585
FAX 415-786-1111
3952 Point Eden Way, Hayward, CA 94545

INCENTIVE GIFTS & PREMIUMS



Timely Reminder

Special Promotional Offer—\$19.50
Send us your color logo (stationery or business card). We'll reproduce it on this deluxe quartz watch. Limit: 3 per customer at \$19.50 per watch (plus sales tax CA only).

GREAT AMERICAN IMAGES
One Waters Park Drive, Suite 213 -
San Mateo, CA 94403 (415) 358-0800

INVENTIONS

INVENTORS
Call IMPAC for free information package. U.S.A./Canada: 1-800-225-5800, (24 hours)

INVENTION, IDEA, NEW PRODUCT ASSISTANCE
Presentation to industry. National exposition.
1-800-388-IDEA.

INVENTORS: We are a full service marketing and patent development company for inventors. Call TLCI for free information. 1-800-468-7200 24 hours/day -USA/Canada.

INVENTORS!
Your first step is important. For Free Advice Call **ADVANCED PATENT SERVICES**, Wash., DC 1-800-458-0352.

INVENTORS! Can you patent and profit from your idea? Call **AMERICAN INVENTORS CORPORATION** for free information. Over a decade of service. 1-800-338-5656. In Canada call: (413) 568-3753.

MAIL ORDER

MILLIONAIRE Mailorder Expert Reveals Money-Making Secrets! Free exciting, hour cassette: Melvan Powers, No. Hollywood, California 91609.

MAILING LISTS SERVICES

MAILING LISTS. Every category available. Call for **FREE** catalog. First National List Service. TOLL-FREE: 800-821-5546 (In ILL: 312-275-4422).

FREE MAILING LIST CONSULTATION. Every category avail. Details: GOC/775, Box 1107, Stuart, FL 34995. Or call for free consultation, 800-554-LIST or 407-334-5205.

REAL ESTATE

COLORADO-Secure your future. 106 ac, awesome view, spectacular hunting & fishing area. \$45,000, 10% dn, 10.7% int, P&I \$454 mo.-15 yr. 719-632-3905 LPI.

REPOSSESSED VA & HUD HOMES available from government from \$1 without credit check. You repair. Also S&L bailout properties. CALL (805) 662-7555 Ext. H-1687 for repo list your area.

FOR EVEN MORE BUSINESS OPPORTUNITIES READ THIS MONTH'S FRANCHISE GUIDE ON PAGE 48

Where I Stand

On Replacing Strikers

Your response to this poll will be provided to key members of Congress for consideration in the debate over a bill to ban the replacement of strikers. Results of the March survey on mandated benefits appear on Page 39.

Send the attached postage-paid response card. Or you can circle your answers, fill out the coupon below right, and fax this page to (202) 463-5636.

1. Employers should have the right to replace strikers:

1. Under any circumstance.
2. Under no circumstance.
3. Only under the limited circumstances covered by current law.
4. Undecided.

2. The general balance between labor and management rights has been:

1. Tipping in favor of unions.
2. Tipping in favor of management.
3. Staying about the same.

3. Banning employers from replacing striking workers would:

1. Give unions a fairer chance to achieve their strike goals.
2. Give unions unfair leverage in negotiating with management.
3. Have no impact on the labor-management climate.
4. Undecided.

4. Unions generally serve to:

(Check all that apply)

1. Improve labor-management communication.
2. Foster labor-management conflict.
3. Increase a company's ability to grow and enhance the welfare of its workers.
4. Limit a company's ability to grow and enhance workers' welfare.

5. Congress should:

(Check all that apply)

1. Strengthen unions because the economic downturn has hurt many workers as well as companies.
2. Mandate higher wages and greater benefits for workers.
3. Improve the climate for business and workers by avoiding actions that deter economic growth.

Send For Free Product Information

Indicate the advertisers from whom you want more, free information. For faxing, circle the company name. If you mail the postage-free card, circle the product-information number on the card that corresponds with the company name in the listing below.

AlphaGraphics 33
Arby's 25
Blue Chip Enterprise Initiative 60
Bojangles of America 31
Buick Motors 2
Computer Business Services 5
Connecticut Mutual 59
Eagle's Nest Homes 3
Executive Seminars in Sound 13
Family Business Audio Program 8
GNC 7
Gofax 24
Gourmet Garages 50
Jani-King International 18
Konica Business Machines 6
Letter Power 57
Lindal Cedar Homes 51
Mail Boxes Etc. 28
Management Recruiters 10
Mita CopyStar 49
OfficeMates 12
Professional Displays, Inc. 23
Prove International 47
Ryder Transportation Resources 30
ServPro 21
Software Spectrum/ Lotus 123 44
T-Shirts Plus 15
The Trump Shuttle 14
Trust Company Bank 38
United States Postal Service 17
Upsonic 11
Varco-Pruden Buildings 9
Xerox Corp. 37

Fill out coupon below if you fax your response.

Please tell us how many employees you have: _____

Name _____

Title _____

Company _____

Address _____

City _____

State _____

ZIP _____



City _____ State _____ ZIP _____

Congressional Alert

A report on key legislative issues with suggestions for contacting Congress about them.

Addresses: U.S. Senate, Washington, D.C. 20510; U.S. House of Representatives, Washington, D.C. 20515.

Securing Our Energy Needs

The threat to Middle East oil supplies posed by Iraqi aggression is spurring Congress to re-assess U.S. policies governing domestic energy exploration, production, and distribution.



ILLUSTRATION: RICHARD GAGE

The U.S. Chamber of Commerce believes the nation should use this opportunity to modify U.S. policies to enhance America's long-term energy security.

It recommends:

- Increasing access to domestic resources.
- Reducing regulatory barriers to promising energy projects.
- Restoring tax incentives for energy development.

Numerous bills, some of which would accomplish one or more of these goals, have been introduced in Congress.

The U.S. Chamber urges you to write your senators and representative. Urge them to support legislation to:

- Authorize the U.S. Interior Department to permit oil exploration on the coastal plain of the Arctic National Wildlife Refuge in Alaska.
- Require the Interior Department to provide access to the Outer Continental Shelf for exploratory drilling for oil and natural gas.
- Streamline the licensing process for nuclear plants and reactors to revitalize the nuclear-power option.

■ Expedite the completion of energy projects stalled as a result of unreasonable requirements for obtaining permits.

These steps would help reduce U.S. dependence on foreign oil and assure abundant, affordable energy into the 21st century.

A Renewed Effort To Limit Liability

Business has long supported legislation to reform product-liability laws that impose excessive costs on manufacturers, sellers, and consumers of products and services.

A Senate bill, S. 640, introduced by Sens. Robert W. Kasten Jr., R-Wis., John D. Rockefeller IV, D-W.Va., and John C. Danforth, R-Mo., would improve U.S. firms' competitiveness with foreign manufacturers by providing clear, fair rules for product-liability lawsuits. The bill would also reduce legal costs by encouraging settlements.

The many varying and conflicting state laws now governing liability claims make it almost impossible for companies to understand their rights and obligations.

The current system imposes high costs on manufacturers, product sellers, and consumers. And the absence of a uniform law forces manufacturers to insure against ever-expanding and unpredictable liability claims.

Because of escalating liability risks, many manufacturers have dropped product lines and/or have curtailed research and development. Some companies have abandoned U.S. markets as a result of the liability morass.

The U.S. Chamber of Commerce supports enactment of a uniform federal product-liability law that would strike a reasonable balance among the rights and duties of individuals and businesses and the needs of society.

Urge your senators and representative to support legislation to establish a uniform product-liability law. Urge your senators to co-sponsor Senate bill 640.



Competitiveness And Joint Ventures

The costs and risks of long-term business commitments deter many U.S. companies from making them. At the same time, these companies realize that competing in the global marketplace requires them to:

- Speed product innovation and reduce the time between innovation and marketing of products and services.
- Improve manufacturing processes and products.
- Enhance the quality of American products and services.
- Invest in research and development.
- Reduce corporate preoccupation with short-term financial results, which discourages long-term investment.

One approach to achieving those goals is to pool company resources by forming strategic joint ventures. Such ventures would encourage companies to share risks too great for them to bear on their own.

Bills that would modify U.S. anti-trust laws to foster joint-production ventures among American firms have been introduced in the House and Senate.

The measures also would limit the remedies available to plaintiffs who file antitrust lawsuits.

The Senate bill, S. 479, was introduced by Sens. Patrick J. Leahy, D-Vt., Strom Thurmond, R-S.C., and Joseph R. Biden Jr., D-Del.; the House bill, H.R. 27, was introduced by Rep. Hamilton Fish Jr., R-N.Y.

Urge your senators to support S. 479 and your representative to back H.R. 27. Tell them these measures would clarify U.S. antitrust law and would improve America's competitiveness.



Editorial

There Are Reasonable Ways To Further Civil Rights

A recent report by CBS's "60 Minutes" illustrated convincingly the inherent absurdity of requiring employers to hire by the numbers—the central issue in the current congressional debate over civil-rights legislation.

The television report—"The Numbers Game"—focused on Mike Welbel, the owner of a small Chicago lamp-assembly company that employs from 12 to 30 workers, depending on sales. Welbel, who is white, primarily employs Hispanics and blacks. (At last count, he had 21 Hispanic and five black employees.) Nonetheless, the Equal Employment Opportunity Commission (EEOC) has fined Welbel \$124,000 for employment discrimination against black job candidates and has filed suit against him to collect.

The businessman's troubles began when Lucille Johnson, a black woman, filed a discrimination complaint with the EEOC, claiming she had applied for a job with the lamp company and was rejected as a result of discrimination.

CBS's interviews with several of Welbel's black and Hispanic employees found no hint of discrimination but instead only support for Welbel's employment practices. Said one black female employee: "I know discrimination when I see it, and I would tell them [the EEOC]. Believe me."

Based on the hiring statistics of other companies in the area, the EEOC told Welbel his staff should include 8.4 blacks. "60 Minutes" confirmed that 11 blacks had worked at the firm during the period the EEOC investigated. Welbel acknowledges that the work force is transient and that some employees may work only a few days and not show up again.

Generally, according to Welbel, if someone isn't

hired, it's because someone else is more qualified.

Welbel's story is significant because it reflects the numbers mentality that legislation introduced by Rep. Jack Brooks, D-Texas, would institutionalize in U.S. law. Brooks' bill, H.R. 1, contains essentially the same "statistics" provision as a similar bill vetoed last year by President Bush, who had warned Congress that he would reject any measure that would lead to a quota system.

The legislation would force employers to achieve statistical balances between their work

forces and the surrounding work force. In other words, hire by the numbers.

The bill contains other elements objectionable to business, including provisions for unlimited punitive and compensatory damages and a complex paperwork scheme under which businesses would have to provide employee data that would make it easier for workers to claim they were victims of discrimination.

However, there are alternatives to this legislation that the business community be-

lieves are acceptable. These alternatives would enhance protections of workers' rights but would avoid quotas and place reasonable limits on damages available in discrimination lawsuits.

Provisions of that nature are in the Bush administration's civil-rights bill, which largely addresses the job-discrimination concerns of civil-rights advocates.

If Congress is really interested in furthering civil rights, it will reject Brooks' quota bill, H.R. 1, and pass the president's bill. Such action might also help restore at least a bit of confidence among business people like Mike Welbel in Congress' ability to act responsibly.



ILLUSTRATION: HARM A. SALIM

Free-Spirited Enterprise

By Janet L. Willen



ILLUSTRATIONS: PETER HOYT

NOW HEAR THIS

You don't need talent to get on radio—just VOXX. That's the message from Ernest Pappas, vice president of VOXX Communications, of Boca Raton, Fla.

VOXX makes small, portable, FCC-approved radio transmitters that let businesses broadcast on any unused FM frequency.

Just plug the transmitter into a standard outlet, record a 70-second message into the device, set it to broadcast on a frequency not used in your area, and display a sign telling consumers to tune in that frequency. Your message will be heard 24 hours a day in cars driven within about 300 feet of the transmitter.

Retail stores advertise their specials on VOXX so that customers can hear them as they drive up to the stores, and real-estate firms use VOXX to announce houses for sale as people drive past them.

WEATHERING BAD DAYS

Frans Mustert can't promise his guests sunny days, so he does the next best thing. The vice president of operations for the Sands Ocean Club Resort of Myrtle Beach, S.C., offers vacationers a rain-insurance policy.

Guests pay \$5 for each \$100 of insurance and can collect up to \$500 for each rainy day. The policy is backed by Lloyd's of London.

Each hour, the Center for

Marine and Wetland Studies at Coastal Carolina College reads a rain gauge in downtown Myrtle Beach. If the gauge registers at least one-tenth of an inch per hour in each of any four hours between 9 a.m. and 5 p.m., insured guests get a refund.

Mustert says it's good business: "Allowing guests to insure their hard-earned vacation times makes for happy guests, and happy guests are repeat guests."

HERE'S THE RUB

If you can't get your foot in the door, how about your eraser in the office?

Murray Garrett, president of Diener Industries, of Chatsworth, Calif., says companies are getting noticed by putting eraser replicas of their logos, trademarks, or products on potential clients' desks.

Garrett says erasers get noticed because sooner or lat-

er, everyone uses one—even if it looks like a green tire, pink blimp, yellow running shoe, or blue Muppet.

PUNCH LINE

For advertising with punch, you might consider a Personal Punch from Merrick Industries of Sunnyvale, Calif. The 2-by-2 1/4-inch device punches T-shaped slots into business cards so they can be slipped into card files.

Merrick can personalize the punch for companies to use as advertising giveaways.

LITING LAWYERS

Lawyers Bob Unger and John Kupillas Jr., of Great Neck, N.Y., are not above singing for their supper. That's how they got their start.

As fledgling lawyers in 1984, they jazzed up speeches before potential clients with duets like "To All the Deals You've Lost Before," sung to the tune of "To All the Girls We've Loved Before." From there they went on to sing before Mets and Jets games, on Jerry Lewis' telethon, at

their self-help seminars, and on motivational tapes. Says



Kupillas: "Clients love it. The perception the public has is that attorneys are cold and calculating. When you sing, suddenly you become a human being, a friend."

BORED GAME

Here's some advice for procrastinators: Bore yourself to death.

That suggestion comes from Jeffrey J. Mayer's book,



If You Haven't Got the Time To Do It Right, When Will You Find the Time To Do It Over? (Fireside).

"Stop! Do nothing," Mayer says, "don't even doodle or twiddle your thumbs. I guarantee that after just a few minutes of this you'll be so totally bored that you'll be eager to start any task, no matter how unpleasant or intimidating."

I'm going to take his advice. Tomorrow.





Meet your new cost consultant.

It costs just \$9.95 to get guaranteed* overnight delivery from Express Mail, the service that offers you more drop off points than all of the competition

combined. With Priority Mail,™ two day service between major markets is just \$2.90 for two pounds. And for a single charge of just \$4.50,

we'll pick up as many Express Mail or Priority Mail packages as you have. When you're looking for ways to cut costs, we deliver.



*Up to 8 ozs. Some restrictions apply. Check your Post Office for details. © 1991 USPS, 36 USC 340



Circle No. 17 on Reader Service Card.



"My people think I'm cheap."

"I'm not cheap. This is a small business.

Sure, I want them to have everything they deserve. I also want my company to be financially stable and to grow. And, I'd like to retire someday.

But I didn't think I had the resources to do it all. Connecticut Mutual is showing me I do."

In business, you never stop learning. From yourself. And from others. Connecticut Mutual Life Insurance Company can help create financial solutions that benefit your employees, your company, and you. For more information call **1-800-FOR-CTML**.

Success requires Blue Chip resources.™

Connecticut Mutual

A Blue Chip Company of the  Alliance

140 Garden Street, Hartford, CT 06154. Proud Sponsor of The Blue Chip Enterprise Initiative™
Diversified Insurance Services of America, G.R. Phelps & Co., Inc., CM Life, GroupAmerica Insurance Company, CM Assurance, State House Capital Management, CM Asset Advisors
© 1991 Connecticut Mutual Life Insurance Company

Circle No. 59 on Reader Service Card.